

THE MUTUAL SECURITY PROGRAM

HEARINGS
BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
EIGHTY-SECOND CONGRESS
FIRST SESSION
ON
(H. R. 5020 and H. R. 5113)
THE MUTUAL SECURITY PROGRAM

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THE MUTUAL SECURITY PROGRAM

TUESDAY, JUNE 26, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the Ways and Means Committee room, New House Office Building, at 10 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we are meeting here this morning to begin hearings on the proposed Mutual Security Program legislation.

No bill has yet been introduced, but the text of the measure drafted by the executive branch has been included in the committee print of The Mutual Security Program for Fiscal Year 1952—Basic Data Supplied by the Executive Branch, which is before each member.

I would like to say for the information of the members that you will find the text of the measure starting on page 51 of this study we have here.

In the interest of orderly procedure we will use this proposed text as the basis for discussion during this hearing.

(The proposed draft of the bill is as follows:)

PROPOSED DRAFT OF MUTUAL SECURITY ACT OF 1951

A BILL To promote the foreign policy and provide for the defense and general welfare of the United States by furnishing assistance to friendly nations in the interest of international security

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Security Act of 1951."

SEC. 2. The Congress declares it to be the purpose of this Act to promote the foreign policy of the United States by authorizing military, economic and technical assistance to friendly countries to strengthen the individual and collective defenses of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States, and to facilitate the effective participation of those countries in the United Nations system for collective security. The purposes of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604), the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522), and the Act for International Development (22 U. S. C. 1557) shall hereafter be deemed to include this purpose.

TITLE I

EUROPE

SEC. 101. In order to support the freedom of Europe through assistance which will further the carrying out of the plans for defense of the North Atlantic area, while at the same time maintaining the economic stability of the countries of the area so that they may meet their responsibilities for defense, there are hereby authorized to be appropriated to the President for the fiscal year 1952—

(a) \$5,293,000,000 for assistance pursuant to the provisions of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604), for countries which are parties to the North Atlantic Treaty and for any country

of Europe (other than a country covered by another title of this Act), which the President determines to be of direct importance to the defense of the North Atlantic area and whose increased ability to defend itself the President determines contributes to the preservation of the peace and security of the North Atlantic area and is important to the security of the United States. In addition, unexpended balances of appropriations heretofore made for carrying out the purposes of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604), through assistance to any of the countries covered by this subsection are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this subsection.

(b) \$1,675,000,000 for assistance pursuant to the provisions of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522) (including assistance to further European military production), for any country of Europe covered by subsection (a) of this section and for any other country covered by section 103 (a) of the said Economic Cooperation Act of 1948 (22 U. S. C. 1502). In addition, unexpended balances of appropriations heretofore made for carrying out the purposes of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this subsection.

(c) Not to exceed 5 percent of the total of the appropriations granted pursuant to this section may be transferred, when determined by the President to be necessary for the purposes of this Act, between appropriations granted pursuant to either subsection: *Provided*, That the amount herein authorized to be transferred shall be determined without reference to any balances of prior appropriations continued available pursuant to this section.

TITLE II

NEAR EAST AND AFRICA

Sec. 201. In order to further the purposes of this Act by continuing to provide military assistance to Greece, Turkey, and Iran, there are hereby authorized to be appropriated to the President for the fiscal year 1952, not to exceed \$415,000,000 for furnishing assistance to Greece and Turkey pursuant to the provisions of the Act of May 22, 1947, as amended (22 U. S. C. 1401-1410), and for furnishing assistance to Iran pursuant to the provisions of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604). In addition, unexpended balances of appropriations heretofore made for assistance to Greece and Turkey, available for the fiscal year 1951, pursuant to the Act of May 22, 1947, as amended (22 U. S. C. 1401-1410), and for assistance to Iran pursuant to the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1601), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section.

Sec. 202. Whenever the President determines that such action is essential for the purposes of this Act, he may provide assistance, pursuant to the provisions of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604), to any country of the Near East area (other than those covered by sec. 201) and may utilize not to exceed 10 percent of the amount made available (excluding balances of prior appropriations continued available) pursuant to section 201 of this Act: *Provided*, That, any such assistance may be furnished only upon determination by the President that (1) the strategic location of the recipient country makes it of direct importance to the defense of the Near East area, (2) such assistance is of critical importance to the defense of the free nations, and (3) the immediately increased ability of the recipient country to defend itself contributes to the preservation of the peace and security of the area and is important to the security of the United States.

Sec. 203. In order to further the purposes of this Act in Africa and the Near East, there are hereby authorized to be appropriated to the President for the fiscal year 1952, \$125,000,000 for economic and technical assistance in Africa and the Near East in areas other than those covered by section 103 (a) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1502). Funds appropriated pursuant to this section shall be available under the applicable provisions of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522), and of the Act of International Development (22 U. S. C. 1557).

Sec. 204. Not to exceed \$50,000,000 of the funds authorized under section 203 hereof may be contributed to the United Nations during the fiscal year 1952,

for the purposes, and under the provisions, of the United Nations Palestine Refugee Aid Act of 1950 (22 U. S. C. 1556): *Provided*, That, whenever the President shall determine that it would more effectively contribute to the purposes of the said United Nations Palestine Refugee Aid Act of 1950, he may allocate any part of such funds to any agency of the United States Government to be utilized in furtherance of the purposes of said Act, and any amount so allocated shall be a part of the United States contribution to the United Nations Palestine Refugee Agency.

TITLE III

ASIA AND PACIFIC

SEC. 301. In order to carry out in the general area of China (including the Republic of the Philippines and the Republic of Korea) the provisions of subsection (a) of section 303 of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1604 (a)), there are hereby authorized to be appropriated to the President for the fiscal year 1952, not to exceed \$355,000,000. In addition, unexpended balances of appropriations heretofore made for carrying out the provisions of title III of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1602-1604), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section. Not to exceed \$50,000,000 of funds appropriated pursuant to this section (excluding balances of appropriations continued available) may be accounted for as provided in subsection (a) of said section 303.

SEC. 302. In order to further the purposes of this Act through the strengthening of the area covered in section 301 of this Act (but not including the Republic of Korea), there are hereby authorized to be appropriated to the President for the fiscal year 1952, \$262,600,000 for economic and technical assistance in those portions of such area which the President deems to be not under Communist control. Funds appropriated pursuant to authority of this section shall be available under the applicable provisions of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522), and of the Act for International Development (22 U. S. C. 1557). In addition, unexpended balances of funds heretofore made available for carrying out the purposes of the China Area Aid Act of 1950 (22 U. S. C. 1547), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section.

SEC. 303. (a) In order to provide for the United States contribution to the United Nations Korean Reconstruction Agency, established by the Resolution of the General Assembly of the United Nations of December 1, 1950, there are hereby authorized to be appropriated to the President not to exceed \$112,500,000. In addition, unobligated balances of the appropriations heretofore made, and available during the fiscal year 1951, for assistance to Korea under authority of the Far Eastern Economic Assistance Act of 1950, as amended (22 U. S. C. 1551, 1552, 1543), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section.

(b) The sums made available pursuant to subsection (a) may be contributed from time to time on behalf of the United States in such amounts as the President determines to be appropriate to support those functions of the United Nations Korean Reconstruction Agency which the military situation in Korea permits the Agency to undertake pursuant to arrangements between the Agency and the United Nations Unified Command in Korea. In computing the aggregate amount of such contributions by the United States, there shall be included the value of goods and services made available to Korea by any department or agency of the United States for relief and economic assistance after the assumption of responsibility for relief and rehabilitation operations in Korea by the United Nations Korean Reconstruction Agency.

(c) The provisions of subsections 304 (a) and (b) of the United Nations Palestine Refugee Aid Act of 1950 (22 U. S. C. 1556 (b)) are hereby made applicable with respect to Korean assistance furnished under this section.

(d) Unencumbered balances of sums heretofore or hereafter deposited in the special account established pursuant to paragraph (2) of article V of the agreement of December 10, 1948, between the United States of America and the Republic of Korea (62 Stat., pt. 3, 3788) shall be used in Korea for such purposes as are consistent with United Nations programs for assistance to Korea and as may be agreed to between the Government of the United States and the Republic of Korea.

(e) The functions of the Economic Cooperation Administrator under the provisions of section 3 of the Far Eastern Economic Assistance Act of 1950, as amended (22 U. S. C. 1551), shall hereafter be performed by such departments or agencies of the Government as the President shall direct.

TITLE IV

AMERICAN REPUBLICS

SEC. 401. In order to further the purposes of this Act through the furnishing of military assistance to the other American Republics, there are hereby authorized to be appropriated to the President for the fiscal year 1952, not to exceed \$40,000,000 for carrying out the purposes of this section under the provisions of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604): *Provided, That*, such assistance may be furnished only in accordance with defense plans which are found by the President to require the recipient country to participate in missions important to the defense of the Western Hemisphere. Any such assistance shall be subject to agreements, further referred to in section 402 of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1573), designed to assure that the assistance will be used to promote the defense of the Western Hemisphere; and after agreement by the Government of the United States and the country concerned with respect to such missions, military assistance hereunder shall be furnished only in accordance with such agreement.

SEC. 402. In order to strengthen friendship and understanding among the peoples of the American Republics through the furnishing of technical assistance in furtherance of the purposes of this Act, there are hereby authorized to be appropriated to the President for the fiscal year 1952, \$22,000,000 for assistance under the provisions of the Act for International Development (22 U. S. C. 1557) and of the Institute of Inter-American Affairs Act, as amended (22 U. S. C. 281).

TITLE V

GENERAL PROVISIONS

SEC. 501. Whenever the President determines it to be necessary for the purposes of this Act, not to exceed 10 percent of the funds made available under any title of this Act may be transferred to and consolidated with funds made available under any other title of this Act in order to furnish, to a different area, assistance of the kind for which such funds were available before transfer.

SEC. 502. The President, pursuant to section 404 of the Act for International Development (22 U. S. C. 1557b), may make contributions on behalf of the United States to such technical cooperation programs of the United Nations and the Organization of American States as he determines will further the purposes of this Act in a total amount not exceeding \$13,000,000 from funds made available under authority of sections 101 (b), 203, 302, and 402 of this Act and the use of such contributions shall not be limited to the area covered by the section of the Act from which the funds are drawn.

SEC. 503. Funds made available for carrying out the provisions of Title I of this Act shall be available for the administrative expenses of carrying out the purposes of all of the titles of this Act, including expenses incident to United States participation in international security organizations and expenses of domestic programs under the Act for International Development. Any currency of any nation received by the United States for its own use in connection with assistance furnished by the United States may be used by any agency of the Government without reimbursement from any appropriation for the administrative and operating expenses of carrying out the purposes of this Act. Funds made available for carrying out the purposes of this Act in the Federal Republic of Germany may, as authorized in subsection 114 (h) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1512 (h)), be transferred by the President to any department or agency for the expenses necessary to meet the responsibilities and obligations of the United States in the Federal Republic of Germany.

SEC. 504. The proviso in the first sentence of section 403 (d) of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1574 (d)), is hereby amended to read as follows: "*Provided, That* after June 30, 1950, such limitation shall be increased by \$250,000,000 and after June 30, 1951, by an additional \$450,000,000."

SEC. 505. Section 414 of the Act for International Development (22 U. S. C. 1557 (1)) is amended by inserting between the words "Act" and "until", the words "for a period to exceed three months".

SEC. 506. The President, from time to time while funds appropriated for the purposes of this Act continue to be available for obligation, shall transmit to the Congress, in lieu of any reports otherwise required by law, reports covering each six months of operations in furtherance of the purposes of this Act, except information the disclosure of which he deems incompatible with the security of the United States. The first such report shall cover the six-month period commencing on the date this Act becomes effective. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

SEC. 507. Section 115 (b) (6) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1513 (b) (6)), is amended (a) by adding in the second proviso after the words "shall be used" the words "to promote military defense, or shall be used"; (b) by adding in the last clause of the second proviso the words "and operating" after the word "administrative"; (c) by striking from the last clause of the second proviso the words "within such country"; and (d) by substituting in the fourth proviso the words "upon termination of assistance to such country under this Act" in place of the words "on June 30, 1952".

SEC. 508. Assistance to any nation by means of funds authorized under this Act may, notwithstanding the date specified in section 122 of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1520), continue as long as such funds remain available for such assistance, unless sooner terminated in accordance with the requirements of section 405 of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1576), or section 118 of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1516), or section 411 of the Act for International Development (22 U. S. C. 1557 (i)).

SEC. 509 (a). As used in this section:

(i) the term "invention" means an invention or discovery covered by a patent issued by the United States, and

(ii) the term "information" means information originated by or peculiarly within the knowledge of the owner thereof and those in privity with him, which is not available to the public and is subject to protection as property under recognized legal principles.

(b) Whenever, in connection with the furnishing of military assistance in furtherance of the purposes of this Act,

(i) use within the United States, without authorization by the owner, shall be made of such an invention, or

(ii) damage to such owner shall result from the disclosure of information by reason of acts of the United States or its officers or employees, the exclusive remedy of the owner of such invention or information shall be by suit against the United States in the Court of Claims for reasonable and entire compensation for unauthorized use or disclosure. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by any defendant in a like action. In addition, in any suit for damages for use or disclosure of such information, any written description, model, drawing, or other recorded teaching in the files of any department or agency of the Government, which

(i) has a provable date either

(A) prior to the making of the invention, or

(B) more than one year before the filing of the application for the patent in suit, or

(C) before the disclosure to the United States by the owner thereof of the information upon which the suit is based, and

(ii) constitutes a sufficient description of the invention used or information disclosed upon which the suit is based to enable others to practice said invention or employ such information, unless such teaching consists of information obtained directly or indirectly from the patentee or owner of the information upon which the suit is based,

shall constitute a complete defense for the Government against the claim for compensation. Except as otherwise provided by law, such teaching shall not invalidate any patent covering the invention or impair the property in such information.

(c) Before such suit against the United States has been instituted, the head of the appropriate department or agency of the Government, which has furnished military assistance in furtherance of the purposes of this Act, is authorized and empowered to enter into an agreement with the claimant, in full settlement and compromise of any claim against the United States hereunder.

(d) This section shall not confer a right of action on anyone or his successor or assignee who, when he makes such a claim, is in the employment or service of the

United States, or who, while in the employment or service of the United States, discovered, invented, or developed any invention or information on which such claim is based.

(e) No officer or employee of the Government, including civilian and military personnel of the military departments, shall be held liable for any fine or penalty under the Act of June 25, 1948 (18 U. S. C. 1903), by reason of his disclosure, in the discharge of an official duty or assignment in furnishing military assistance in furtherance of the purposes of this Act, of any confidential information which is in the official possession of the United States, its officers or employees and which concerns or relates to trade secrets, processes, operations, style of work or apparatus of any person, firm, partnership, corporation, or association.

Sec. 510. Section 408 (e) of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1580), is hereby amended by adding in the first proviso thereof, after the words "of which it is a part", the words "or in United Nations collective security arrangements and measures", and by changing the figure at the end thereof to "\$500,000,000."

Sec. 511. Upon a determination by the President that it will further the purposes of this Act, not to exceed \$10,000,000 of the funds made available pursuant to section 203 of this Act and not to exceed \$25,000,000 of funds made available pursuant to section 302 of this Act may be advanced to countries covered by said sections in return for equivalent amounts of the currency of such countries being made available to meet local currency needs of the aid programs in such countries pursuant to agreements made in advance with the United States: *Provided*, That except when otherwise prescribed by the President as necessary to the effective accomplishment of the aid programs in such countries, all funds so advanced shall be held under procedures set out in such agreements until used to pay for goods and services approved by the United States or until repaid to the United States for reimbursement to the appropriation from which drawn.

(b) In order to assist in carrying out the provisions of the Economic Cooperation Act of 1948, as amended, not to exceed \$50,000,000 of funds made available under the authority of this Act for assistance pursuant to the provisions of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522) may be used to acquire local currency for the purpose of increasing the production of materials in which the United States is deficient.

Sec. 512. (a) In order to carry out the purposes of this Act, there may be employed one person at an annual rate of compensation not to exceed \$17,500, and any person so employed shall be appointed by the President, by and with the advice and consent of the Senate.

(b) Subsection (e) of section 406 of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1577 (e)), is amended to read as follows: "For the purpose of carrying out the provisions of this Act, there may be employed not to exceed four persons at a rate of compensation not to exceed \$15,000. Any person so employed shall be appointed by the President, by and with the advice and consent of the Senate."

Sec. 513. In order to carry out the purposes of this Act, not to exceed three positions may be placed in grades above grade 15 of the General Schedule established by the Classification Act of 1949 (5 U. S. C. 1112), and said positions shall be additional to the number authorized by section 505 of said Act (5 U. S. C. 1105).

Chairman RICHARDS. For the information of the committee I would like to say we are going to proceed strictly under the 5-minute rule, to begin with. We are going to hew to that line for the first questioning period.

The only exception to that will be where it takes the witness longer than 5 minutes to answer the question which has been asked within the 5 minutes.

The first witness this morning is the distinguished Secretary of State.

Mr. REECE. Mr. Chairman, would you permit an interruption?

Chairman RICHARDS. Yes, sir.

Mr. REECE. Did I understand the chairman to say that each member would be allotted only 5 minutes? Does that include the answer also?

Chairman RICHARDS. That is right. That will be the first time around. After that there will be an unlimited period for each member to ask any question he wishes of each witness.

Mr. REECE. That practically means no questioning at all. It is very easy for an answer to consume the better part of 5 minutes, Mr. Chairman.

However, I am not willing to interpose an objection.

Chairman RICHARDS. That is the usual way.

Mr. REECE. Some of us are not members of the committee that went abroad.

Chairman RICHARDS. That is the usual committee procedure, I will say for the benefit of the gentleman from Tennessee. We intend to adhere to it.

I am afraid he does not understand, though, that he will not be at any disadvantage at all, because he will have full time to ask any questions he wishes a little later on.

The first witness is the distinguished Secretary of State, Mr. Acheson. Mr. Acheson.

STATEMENT OF HON. DEAN ACHESON, SECRETARY OF STATE

Secretary ACHESON. Mr. Chairman and members of the committee, the mutual-security program is an essential part of the total national effort to build our national security.

I believe it represents an economical, practical, and efficient program, carefully worked out to give this country maximum security per dollar cost.

The funds requested total \$8.5 billion, of which \$6.3 billion are for military aid and \$2.2 billion are for economic aid. This assistance to other free nations will yield a larger and faster return in terms of our national security than we could obtain by increasing the budget for our own Armed Forces by the same amount. I urge you to judge the program by that test. It is the test we have applied in working it out.

This program has been developed to protect the immediate and long-term interests of the United States. The practical steps to help build strength abroad under this program are essential to our own safety and well-being, as well as to the security of our allies abroad.

This national program is part of a great effort by the free nations to rid the world of war and to make peace secure.

That is our positive goal. That is the purpose which unifies the free nations.

Weakness invites aggression. Now and in the future, strength is the precondition of peace. The free nations must be militarily strong to deter attack by the enemies of freedom. They must be politically and economically strong to support the military forces needed for defense and to defeat attempts to subvert their institutions. They must also be strong of spirit, to keep on with their efforts to bridge the present dangers and to build toward a better and a safer future.

These factors of strength—military, political, economic and spiritual—depend on each other. That is why we have brought together in the mutual security program the continuing elements of our various aid programs.

This is not essentially a new program. What is new is the pulling together of economic-, technical-, and military-assistance programs into one bill which directs all these going programs into the building of strength, adapts them for flexibility and efficiency in meeting changes in the situation, and requires the administering agencies to employ these resources in a single-purposed drive for peace and security.

I want to underline the interdependence of these different factors of strength. Military strength is important and costly, and military assistance is the largest component of the mutual security program.

But we have seen time and again how political and economic deterioration and loss of morale can rot the fibers of military strength. And we have also seen how political and economic recovery bring an upsurge of morale and an increase of military strength.

While it is necessary to consider the needs of individual countries and areas separately, the relation of the parts of the program to the program as a whole should not be lost sight of.

The parts interlock—between countries and areas, and within them. Frankly, what concerns me most at this time is that too narrow a view might be taken of this problem of building strength, and that economic and technical assistance might be reduced because of a failure to demonstrate or recognize how essential this aid is in underpinning military strength.

This program has been developed over a period of many months by teamwork between all the departments and agencies concerned. They had available to them a vast amount of information assembled by them here and abroad, as well as the plans and data of many international agencies in which the United States is represented—such as the North Atlantic Treaty Organization, the Organization for European Economic Cooperation, the Inter-American Defense Board, and various United Nations agencies.

This program as it stands is the result of the screening of this material and its coordination with our own plans and programs. The judgment of our highest authorities in military, economic, and foreign affairs is that the program is needed in our own interests, that it will efficiently contribute to our own security, and that we have the means to carry it out.

The presentation of the program to your committee will, like the preparatory work, be a teamwork job. Following me, you will hear General Marshall, Mr. Foster, General Bradley, Mr. Harriman, and Mr. Cabot.

Then the political, military, economic, and administrative aspects of the program in Europe, the Near East, the Far East and the Western Hemisphere will be presented by officials of State, Defense, and EOA, with assistance from other agencies on particular subjects of concern to them.

Several witnesses from overseas will give on-the-spot reports on conditions and prospects abroad and will discuss how the program will work in their areas.

This teamwork will be carried over into the administration of the program, and will obtain a continuity of thought and of action which will result in a single-minded application of funds to promote the security of our Nation and of the free world as a whole.

We are proposing that the mutual security program be administered under existing legislation, brought together and amended to further the objectives of the program. The Mutual Defense Assistance Act, the Economic Cooperation Act, the Act for International Development, and other assistance acts provide adequate foundation for a mutual security program.

They were all designed to further the national interests and national security of our country, and they can be linked together to increase their effectiveness.

The organizational arrangements under which the program will be operated also link to the arrangements under which these acts have been administered in the past. Using the interdepartmental International Security Affairs Committee, we intend to make use of the valuable experience gained in operations under existing legislation, and permit the new program to be carried out with minimum disruption of current operations, but with maximum speed and efficiency.

The amendments proposed to the existing acts are not many in number, but they are important. All are designed to make the application of our resources more effective in furthering mutual security.

The men who will testify in support of this program and who will be entrusted with its administration will not assert that it is a perfect program. In a task as large and complex as this there will always be room for improvement and development—which is the reason why we seek some flexibility in the use of the funds requested.

What we are prepared to show is that requirements exceed resources; that they have been trimmed to fit our capabilities; and that funds have been requested only where there is a need, a clear opportunity, and the means to build strength. This strength is important to our own security; it could not be obtained without our aid; and it could not be matched by any use of the same funds here at home. These are the tests.

The basic idea of this program, as of our foreign policy as a whole, is that time is on our side if we make good use of it. The vast potential of the free world is adequate to the job. The mutual security program is part of our effort to make the best use of the time we have, and to lead the way in using the potential of the free world to rid the world of war and make peace secure.

I would like to review with you, very briefly, the ways in which this mutual security program is designed to support the basic elements of our foreign policy.

All our actions abroad, whatever form they may take, have a single purpose. That purpose is to advance the security and welfare of this country. There is no other possible justification for any policy or program. There is no other justification for asking the American taxpayer to finance any foreign policy or program.

To recognize the enlightened self-interest in these activities does not detract from the humanitarian character of some of them, nor from their contribution to the common goal of peace and security.

Security begins at home. No foreign policy can insure national security unless the nation has adequate defense forces. But in the world in which we live, no national defense policy can insure security unless the nation has strong and reliable friends and allies.

We cannot afford to underestimate the importance of our friends and allies to our own security. The United States is a rich and power-

ful Nation. We have an energetic, courageous, and resourceful population, loyal to our institutions and ideals, and fiercely determined to defend the way of life which we have created here. The United States occupies a favorable geographical position. Its total strength, actual and potential, is perhaps greater than that of any other country in the history of mankind.

And yet no nation, including our own, is strong enough to stand alone in the modern world. Despite the great advantages with which our country has been blessed, we are not self-sufficient.

Our population is limited in numbers. We are dependent on other areas for many vital raw materials. The oceans which have shielded us in the past have dwindled to lakes in the sweep of modern technology.

Even our unparalleled industrial establishment, mighty as it is, could not match the industrial power which would be leveled against us if a major part of the free world should be incorporated within the Soviet Empire. Finally, we know that we could not continue to be the kind of a country we are, if we were to withdraw into a cave of isolation.

The great majority of our people fully understand and appreciate these facts. But we must be sobered by the realization that the men in the Kremlin are no less aware of them. They have shown this by their persistent efforts to split us off from our allies. Using a combination of political, psychological, economic, and military tactics, the Soviet rulers are out to divide and conquer. In the case of the United States particularly, their first effort appears to be to isolate us.

To put it bluntly, the Soviet Union wants to see the United States try to "go it alone." By sporadic aggression, by cautious retreat, by unending propaganda, by economic sabotage, by seizing control in one area, by playing on differences in another—by all such acts, the Kremlin seeks to produce a situation in which the United States will ultimately be pushed into a position of trying to "go it alone."

That is why, at the same time we are converting some of our potential military strength into actual military strength, our security program requires us to make sure that we have strong and reliable friends and allies.

This interlocking character of foreign policy and national defense policy was formally recognized by the Congress when it established the National Security Council.

The foreign policies and programs of the United States have been adopted by the President, after all the interdependent factors, domestic and foreign, political and military, have been fully considered by the members of the Council.

They are continuously reviewed and, when necessary, revised; policies and programs cannot remain static in a dynamic world.

In reviewing our policy, we might begin with our own country, a center of strength in the free world, and work outward from it to the other areas affected by this program.

The supreme test of our ability to survive is our ability to win if war is forced upon us. We must be prepared for that supreme test, and preparation for it offers the best chance of avoiding it.

The danger of war can be measured by the readiness or lack of readiness to meet an attack upon our vital interests. The history of recent years should teach us that a dictator does not launch an attack

against a state or a coalition of states unless he can calculate that he has the power to win and to hold his objective.

His calculations are sometimes wrong, as Hitler's were. But the error is usually an error of political judgment. He thinks that the free nations are disunited, or will not unite against him, and that he can pick off his victims one or two at a time. Or he thinks they will not have the determination to resist him in his conquests.

I do not think that the rulers of the Soviet Union will make this mistake. The reaction to the attack on Korea has made it clear that the free nations will not acquiesce in a strategy of piecemeal conquest. It has reduced the likelihood of further creeping aggressions.

The determined effort by the United States and other countries to prepare for defense against aggression—preparations which have been greatly speeded up by the provocative action in Korea—can reduce the danger of general war. That danger requires, however, greatly increased preparedness before we can be confident that the strength of our defenses will be so clear as to prevent foolhardy calculations by the Soviet rulers.

The core of our national policy is a rapid development of strength in our country, and the maintenance of that strength so long as the threat continues. That is the purpose of the \$60 billion defense budget which the President has requested for the coming fiscal year.

The record of our accomplishment in building strength has the most direct and significant bearing on foreign policy and the world position of this country. It heartens our friends and discourages our foes. It reinforces the means of winning through to a successful conclusion of the Korean conflict and of preventing new outbreaks of violence. It is a solid backstop for our foreign-policy efforts abroad to guard the Nation's security.

Let us look now at the world with which our foreign policy is concerned.

In the present state of the world, the crucial problem of war and peace centers around the challenge presented to the rest of the world by the policies of the Soviet Government.

Historically, the Russian state has had three great drives—to the west into Europe, to the south into the Middle East, and to the east into Asia.

When it has been held in one area, it has sought opportunities in another. We have seen examples of this in the postwar period—in Czechoslovakia, in Iran, in China, and Korea.

Historically also the Russian state has displayed considerable caution in carrying out those drives. The Russian rulers liked to bet on sure things; to be in a position to cut their losses when events showed that they had overreached themselves. They have not wanted to risk everything on a single throw of the dice.

The Politburo has acted in this same way. It has carried on and built on the imperialist tradition. What it has added consists mainly of new weapons and new tactics—the weapons of conspiracy, subversion, psychological and ideological warfare, and indirect aggression, and tactics skillfully designed to employ these weapons.

It has been, given its aims and its power, cautious in its strategy. It still prefers to bet on a sure thing. Their discovery that Korea was not a sure thing was undoubtedly a great shock to the Politburo, which called for some sudden changes in their planning.

Three other aspects of Soviet policy need to be mentioned: First, Russian policy makers, Czarist or Communist, have always taken a very long view. They think in generations where others may think in terms of a few years or a decade at most.

Second, they are land-minded and have a deep and abiding and, on the historical view, justified confidence in the vastness of Russia as a factor in their security.

Third, the ruling power in Moscow has long been an imperial power and now rules a greatly extended empire. It cannot escape the difficulties that, history teaches us, befall all empires.

This is the challenge our foreign policy is required to meet.

It is clear that this process of encroachment and consolidation by which Russia has grown in the last 500 years from the duchy of Muscovy to a vast empire has got to be stopped.

This means that we have to hold, if possible, against its drives wherever they may be made. To hold means to hold against armed attack; it equally means to hold against internal attack—which is the new weapon added to the Russian arsenal by the Communists.

This also means that we have to develop collective strength and the political relationships which support collective strength so as to deter Soviet drives against nations which, if they were standing alone, might fall easy prey.

Meanwhile, doing all in our power to deter and to hold, we have to proceed confidently and positively with the orderly development of our political, social, and economic institutions in the free world. If we push ahead vigorously with this part of our program, and demonstrate the superiority of the free way of life, we shall be able to face the future with confidence. Although we cannot predict the final outcome of this conflict, we can be confident that free societies can outbuild, outproduce, and outlast societies based on tyranny and oppression.

The strength of the free nations is potentially so much greater than that of the Soviet Union that it would be folly for all our nations to invite war by leaving this potential of strength undeveloped and unorganized. The free world includes over two-thirds of the total population of the earth.

The free world encompasses nearly three-quarters of the world's land area. The total productivity of the free world is many times that of the Soviet Empire. And, most importantly, the free world has resources of mind and spirit incalculably greater than those under the totalitarian control of the Kremlin.

The countries and the regions of the free world are interdependent, and if there can be created unity of purpose, resolution to meet the present danger, and the great strength that can come from mutual security efforts—and this is what we are now doing—then the threat that faces us can be reduced to manageable proportions. Our United States policies are aimed at helping to bring about these conditions.

Let us take the situation in the Western Hemisphere.

No one should misinterpret our interest in the defensibility of the Americas. They are a vital base area for the free world's effort to achieve collective security. It is the part of prudence and sound strategy to ensure the defense of this base and to develop its potential. We are blessed with good neighbors to the north and south. Our relations with them are so close and are based on such deep common

interests and shared experience that our energies can be devoted to working cooperatively on such problems as arise. This is a unique and highly advantageous situation.

The American states have long been engaged in developing a set of international relationships which are a model of what is possible when states approach their problems with firm respect for and trust in each other and with determination that adjustments of difficulties should be accomplished by peaceful means.

This did not just happen. It is not just an historical accident. It should not be taken for granted. It is the result of good will, patience, fair dealing, and hard work. Our foreign policy toward our neighbors in the Americas is to develop and strengthen these relationships so that the Western Hemisphere shall have the security which will enable all of us to pursue our national ideals and purposes free from external and internal threats.

Canada is a partner with us in the North Atlantic Treaty, is associated with us in the Organization for European Economic Cooperation, and has sent forces to Korea. She has been, along with us, a large provider of aid to our European allies in the postwar years. She is a bulwark of strength to the north.

We and our neighbors to the south are members of the Organization of American States. That Organization has a history extending back over six decades and is founded on common interests which were recognized far earlier. The ties of cooperation are close.

Inter-American cooperation in military and other defense preparations was emphatically reaffirmed at the recently concluded meeting of foreign ministers in Washington, where it was agreed that the American Republics should, through self-help and mutual aid, direct their military preparations so that those armed forces best adapted to collective defense would be strengthened. The decisions of this meeting, which build upon the solid foundation for cooperative action previously established in the Rio treaty, also include the approval of a directive to the Inter-American Defense Board to prepare military plans for the common defense of the hemisphere as rapidly as possible.

There are certain tasks of hemisphere defense—such as the protection of key installations and key sources of raw materials—which we believe our partners to the south are ready and willing to take over. Coordinated plans are being developed by the Inter-American Defense Board.

The mutual security program provides for the first time for military assistance on a grant basis to the Latin-American countries which conclude bilateral agreements to undertake defense tasks in the Western Hemisphere. By performing such tasks, they will serve their interests and ours. This will relieve our forces so that they can perform essential defense tasks elsewhere.

Many of the Latin-American Republics are relatively underdeveloped economically. The bulk of the job of economic development, so far as outsiders can help, can and will be done by private investment on a risk basis supplemented by private and public loans.

These countries are now very important suppliers of materials to us, having furnished us in 1950 with 35 percent of our total imports, including nearly half our wool imports, three-fifths of our oil imports, and more than half our imports of copper, lead, and nitrates. They can and will become even more important suppliers in the years ahead.

Certain loans from the Export-Import Bank and some of the technical assistance to be provided under the Mutual Security Program are directly or indirectly related to the expansion of production of these basic materials needed by our economy; and, for our part, we will have to make sure that the Latin-American Republics get a fair deal in obtaining the goods they need from us to keep their economies healthy.

The greatest part of the small technical assistance program will be used to help the governments of our sister republics improve agriculture and food production, health, education, and other essential services.

I wish that I had time to illustrate the great benefits which have flowed from past programs of this kind. It is a story full of hope and challenge. These advances are the positive and promising way to meet the future and the surest way to combat the efforts of subversive elements to exploit present tensions and economic difficulties.

There are areas of unrest and dissatisfaction which could become troublesome if neglected. This part of the program falls in the ounce-of-prevention category. I wish that we had acted in this way in similar situations before the Second World War, and I believe that if we had, our problems might be simpler today.

This part of the program, amounting in all to \$62 million, will help to keep the New World a symbol of hope for men everywhere, an evidence of man's ability to build a peaceful and secure and progressive way of life. It is well worth while.

Let us look now at Europe, where there has been a substantially new development of United States policy in the postwar years. We are all familiar with the evolution of this policy from the Greek-Turkish programs through the European recovery program to the North Atlantic Treaty, and which now finds American units participating in an integrated force for the defense of Western Europe, with General Eisenhower as Supreme Commander of that force.

Every reading of American public opinion shows that our people recognize the strength of the policy we have been following. They support this policy as essential to our national security because they are aware that Europe is one of the most decisive and critical areas.

Europe contains the greatest pool of skilled labor in the world and industrial capacity second only to our own, and its more than 200,000,000 people share with us a fundamental community of interest which extends to every sphere of activity.

Moreover, what happens in Europe has direct and profound political, economic, and military repercussions elsewhere in the world—in Africa, the Middle East, the Far East, and Latin America. A Europe united in purpose, and strong economically, spiritually, and militarily, can serve, particularly when associated with us, as a strong deterrent to all forms of aggression, not only in Europe, but in other areas as well.

The primary emphasis in our policy toward our European partners in the North Atlantic Treaty is to make common use of the foundation of economic recovery to build up collective armed defenses rapidly to the point where Soviet aggression would be foolhardy—where all Western Europe can be held.

The Soviet rulers make a great to-do about what they call the aggressive character of the North Atlantic alliance. This commotion

is a clue to their ambitions but not to our intentions. They do not want Western Europe to be defensible.

They know that the North Atlantic Treaty countries are not even trying to build a force which could be used to invade the Soviet Union. They know that the force being built will be strong enough to hold on the ground and is already strong enough to retaliate with prompt and terrible power if Western Europe is attacked.

In Europe, as elsewhere, the basic idea of our policy is that the future belongs to freedom if free men will make good use of their time.

The program of aid to Europe totals nearly \$7 billion, of which \$5.3 billion are for military aid and \$1.7 billion are for economic aid. The former is composed almost entirely of military end items which will be used to equip forces now being raised and trained to use them.

Most of the latter is also directly related to defense, for they are primarily concerned with the resources and the political and economic stability necessary to support the defense effort.

We are encouraged by the significant increases which our European partners have made in their military budgets over the past year. We understand and appreciate the problems created for our partners by the impact on their economies of great increases in defense expenditures.

We feel that progress has been made toward dealing with these problems, but even larger effort is necessary. We believe that we can, by cooperation and the utmost effort by all of us, achieve greater progress toward a level of military expenditure and production which will be adequate to ensure our common safety.

Along the southeastern reaches of Europe and into the Near and Middle East, the problems of foreign policy are to make even stronger the several strong points, and to help other countries to strengthen themselves against the dangers of internal subversion. We are proposing military aid of \$415 million and economic aid of \$125 million for these purposes.

Russian ambitions in this area are centuries old; so too are the internal problems which threaten the stability and security of this area. Our policy toward this vital area of the Near East is to help the governments and peoples of this area to build the kinds of military, political, and economic strength that will discourage aggression from without, protect them against subversion from within, strengthen their will to achieve stability and progress, and help to remove some of the causes of unrest.

It is our aim to provide aid programs of an impartial character, that will enable the governments and peoples of this area to work out their own solutions to their problems.

We have long recognized the vital importance of Greece and Turkey, and are ready to assist them further in developing their armed forces and in maintaining economic stability. Economic aid for Greece and Turkey is included in the total for Europe.

The program takes into account the possible need for limited military assistance to countries of the Near East for the development of internal-security forces.

We are also proposing to help the governments and peoples of this important area through the provision of some technical and developmental assistance. This impartial aid will strike at the conditions of

unrest and instability in which the agents of the Kremlin find opportunities for subversion.

We continued to strive for an adjustment of the current dispute between Iran and the United Kingdom which will recognize the right of the Iranian people to control their oil resources and at the same time protect legitimate British economic interests, thus insuring continued flow of Iranian oil to the free world.

We reaffirm our interest in and concern for the independence and security of Iran and our readiness to assist the Iranian Government in building conditions of political and economic stability and resisting Communist subversion.

We also have reason to be concerned with the importance of developing important resources in Africa, and the mutual security program includes modest sums for that purpose.

The remaining part of the program consists of \$930 million, for military and economic aid to Asia and the Pacific area.

In the great crescent which reaches from Japan to Afghanistan, there live almost 700 million people—about 3 out of 10 people who inhabit the earth.

This area includes South Asia—India, Pakistan, Afghanistan, Ceylon and Nepal; Southeast Asia—Thailand, Burma, Indonesia, and the Associated States of Indochina; and the Philippines, Formosa, and Korea.

But it is not only its large population which gives this area significance in a survey of the defenses of the free world. In this crescent are large resources of strategic materials essential to the productivity of the free world—tin, rubber, jute, petroleum, and many other materials.

The location of this crescent is also of significant importance; astride the vital Pacific Ocean lines of communication, and bordering the Communist-dominated central land mass of Asia.

Of key importance too is the industrial potential of Japan, which lies within this area but is not included in this aid program, since its needs are met in other ways.

Our broad national objective in this area is to help the people develop independent and stable governments, friendly to the United States.

The several elements of the Mutual Security Program for this area have been carefully worked out to further this aim. According to the different needs of these countries, both military aid amounting to \$555 million and total economic aid of \$375 million are proposed under the program.

The entire area is under direct threat of Communist imperialist pressures. In addition to the internal pressures of subversion and political penetration, the area is now confronted with the rise of a militant, Chinese Communist imperialism.

The immediacy of the military need is apparent. Open armed conflict is a reality in Indochina as well as Korea. The arms and ammunition being provided under this program to our friends and allies in Indochina and the Philippines are in actual and immediate use against the enemies of freedom.

Without the aid that we have sent during the current year to Indochina, there is little doubt but that Indochina would long since have been overrun by the Communist forces of aggression, and the

whole of southeast Asia might either have been absorbed by this Communist force or be in immediate peril of such absorption.

Substantial military aid is also proposed for Formosa, pursuant to the President's policy statement of June 27, 1950. Supplementing this aid, which is deemed essential for the military defense of the island, it is proposed that economic assistance also be provided, in further support of the military effort.

But military aid to these countries I have mentioned, and to Thailand, are only part of the problem of strengthening the security of this crescent in relation to the Communist land mass which it borders.

The other part of the problem relates to the way people live—and in many respects, this part of the program affects not only the people with whom we deal directly, but also those millions whom we cannot reach directly, but who are watching what we do in Asia.

As the false champion of Asian nationalism and economic improvement, the Communist movement has been successful in capturing some of the leadership of the nationalist movements in these countries. Communism thrives on the wretchedly low standards of living that prevail in most parts of this area.

Poverty, disease, illiteracy, and resentments against former colonial exploitations—these are the turbulent forces that seethe in Asia, that move people powerfully. The Communist movement has exploited these forces, and in the vital crescent I have described, it seeks to create attitudes ranging from neutralism to subversion, as part of its expansionist drive.

Our first job, if we are to achieve our objective of helping the people of this area to maintain independent governments friendly to us, is to understand these forces at work in Asia, and to assure that the forces of nationalism and of the drive for economic improvement are associated with the rest of the free world instead of with communism.

That is why an essential part of the Mutual Security Program in this area is designed to help the people of Asia to create social and economic conditions that will encourage the growth and survival of non-Communist political institutions, dedicated to the honest fulfillment of their basic needs and aspirations.

Vast and challenging demands are now being made upon the leadership of free Asia arising from the new and heavy responsibilities of national independence.

There are serious economic dislocations in the area resulting from the recent war and from changing production and trade patterns. There is a great lack of teachers and of schools, and a lack of trained technicians and administrators both in the governments and in economic life.

The pressure of population on food supply, antiquated agricultural methods, disease, the lack of capital—these and the other difficulties I have described combine to threaten freedom and independence and to create opportunities for subversion.

American materials and technical aid are needed to help the people of the area in dealing with these urgent economic problems. Our programs are designed to help build the economic, political, and social components of national strength and will provide a stimulus to maximum self-help in the area.

This aid will enable the people of this area to develop their own rich resources for their own benefit, as well as that of the rest of the free world.

The Mutual Security Program in Asia complements United States policies in the Pacific. In relation to the conflict now raging in Korea, there is included in the program that you are considering, a recommendation that authorization be given for \$112.5 million in support of the United Nations Korean Relief and Rehabilitation Administration.

It is planned that the approach to the relief and rehabilitation operations in Korea will be made on an international basis in cooperation with other members of the United Nations which are contributing funds and supplies to the program.

In considering the over-all security of the Pacific, as it relates to the Mutual Security Program, we also have in mind the importance of restoring sovereignty to Japan.

The committee is familiar with the progress we are making in the preparation of a treaty of peace for Japan as the essential first step in this direction.

Deter, defend, and develop. These are the lines of foreign policy which the Mutual Security Program is designed to support. We seek to deter war; for peace, not war, is the only full answer to our present danger.

We shall do what we can and shall cooperate with others to defend the free nations against the twin menaces of external and internal attack.

We shall do what we can and cooperate with others in the spirit of the Charter of the United Nations to develop the economic, political, and military strength of freemen and the extent of free institutions.

By comparison with any other course, this approach is more promising of success and it is more conservative of the lives and resources and ideals of freemen than any other open to us.

No guaranty of success goes with it. But no other course will do as much, with the vast but not yet realized potential we of the free world have, to build the conditions of success, whatever turn events may take.

Thank you, Mr. Chairman.

Chairman RICHARDS. Thank you, Mr. Secretary. I think that was a very strong and able statement.

I would like to ask one or two questions at this point. It has been suggested that the so-called Mutual Security Program, on account of its all-inclusive nature, should be placed under a single Administrator, answerable only to the President and the Congress. What do you think about that?

Secretary ACHESON. Mr. Chairman, I should be glad to give my analysis of some of the elements of that problem.

Might I start with the suggestion that, although we might talk about it now for a while, it might be more helpful for the committee to go through the program, analyze what is called for by the program, and then consider the administrative situation after the full impact of the program has been developed by the hearings and the testimony.

Answering your question, may I first say a few words about the problem here?

The amount of \$8.5 billion is divided into two great portions. One is the \$6.3 billion for military use, and the other is the \$2.2 billion for economic. Now, a very small part of the \$2.2 billion is in what is known as the technical assistance program; the greater part of it is in economic aid, which goes along with the military aid.

So far as the actual administration, that is, the handling of these sums, the procuring of the goods, the direction of the programs in various countries is concerned, whatever administrative changes are made in the Government, it will still be necessary, as it is the practice at the present, for the Defense Department to handle the defense requirements.

In other words, it is only the military who, working with the military officials of NATO and with the individual countries, can really determine what is needed; it is only they who can go out and put it into production; it is only they who could inspect it and know it is well built; it is only they who can deliver it and teach the recipients how to use it.

So, whatever superstructure is built up, the real heart of the military program will be administered and directed, controlled by the military department; the same thing is true about the economic aid, in a broad sense, that is, in the ECA.

Whether in the ECA, under its present name, or under some other name, there will be an administrative economic organization which will be dealing with the economic representatives of NATO, and of OEEC, and of the foreign countries, to gear in their production with their military requirements, and be sure that our military aid helps them in expanding their military needs.

So that the actual operations of the two essential parts of this program must be carried out by a military group, on the one hand, and an economic group on the other, as is the present case.

That brings us then to the consideration of the technical assistance program. That I should rather like to leave for Dr. Bennett later on in the hearings to develop more closely.

What we can point out now is, as a practical matter, that the technical assistance program, which absorbs a very small amount of this great sum, is carried out by the ECA, in countries where there is an ECA program.

We do not have Dr. Bennett's group going into a country where there is already an ECA mission. The technical mission is turned over to them. Dr. Bennett's group works in countries where it or its predecessors have always worked, and are continuing to work now. There is no duplication of effort.

You come then to the coordination of the military part of the program with the economic part of the program. At the present time that is done under the International Security Affairs Committee. The Chairman of that Committee, Mr. Cabot, is an official who is in the State Department.

On his Committee are the leading people under the heads of the various departments concerned with it, that is, the ECA, the Military Establishment, the Treasury, sometimes others.

On occasion, the heads of those departments meet. When they do meet, I act as the Chairman. We have worked out a relationship here which is satisfactory, which produces decisions in 99 cases out of 100 by agreement.

Where a decision is not reached by agreement, it is immediately referred to the President for decision, and his decision is immediately picked up and put into effect.

I think a great deal of this talk about a single agency revolves around two questions. One is whether the ECA should be ended and some new organization should be created. That I do not want to discuss at the present time. Others are much better qualified to discuss that than I am.

The other point is, should the coordination of this work be lodged in some other agency, either a new economic one or a new super-duper one, which would be over all of these agencies, or should it be where it is now.

My strong recommendation to the committee would be to leave that coordination where it is now, because the coordinating element in this thing is foreign policy.

Either that foreign policy has to come from the President, through the department which is created to deal with foreign policy, which is the State Department, or you get a new department and abolish the State Department, and give it some other name.

But the coordination must be in terms of foreign policy. There is not any other element which coordinates. How do you know just exactly about the economic and military aid in relation to the French effort? When you get through with all the technical parts of it, the last question involved is the question of foreign policy, to what extent can the French nation do what is being asked of it, and to what extent will asking more than you think it can do interfere with our relations?

That must come from us or from us under a different name.

The program is working. It is working harmoniously and well. As long as it is working well, my advice is to let it continue to work that way.

Chairman RICHARDS. Thank you, Mr. Secretary. I have a few questions to ask later on that. My time is up. Dr. Eaton.

Mr. EATON. The Secretary has opened up such a vast selection of problems it is difficult to know where to begin with the questions.

I just want to make sure of one position on our part. Are we here today recognizing the fact that we are engaged in a world conflict of ideas and ideals, in which America will either become the leader of freedom in a free world or Russia will become the leader of slavery in a slave world? Are we dealing with that problem here today?

Secretary ACHESON. Yes. I think we recognize that situation fully, Dr. Eaton. I tried to bring it out in my statement, that what I referred to in the statement as the "present danger," is the danger to which you referred, and it is a danger to all free peoples.

We, in view of our fortunate history, our great geographical position, both from the point of view of resources and from the point of view of defensibility, our tremendous industrial establishment, our spiritual and moral history, are in a position where we are required to put forward the great effort of leadership, whether we wish to do so or not, if freedom and liberty are going to survive in the world.

Mr. EATON. So we are not here simply discussing economic policies as to how to better our world trade; we are here to lay a foundation for world policy, to determine whether liberty or slavery is to dominate over all mankind?

Is that the foundation of this legislation?

Secretary ACHESON. I think you have put it very correctly and very forcefully.

Mr. EATON. Praise from Caesar is praise indeed. I thank you very much.

Chairman RICHARDS. Mr. Gordon.

Mr. GORDON. I want to thank you for your comprehensive statement. I have one question.

Now that we are getting into full swing on defense production do you think that our chances of obtaining our goal for world peace are brighter now than they were a year ago?

Secretary ACHESON. What was the first part of your question?

Mr. GORDON. Now that we are getting into full swing on defense production.

Secretary ACHESON. Yes, sir. I think there have been great advances made in this year. I happen to be here with you this morning on the anniversary of the day following the attack in Korea.

A vast amount has happened to stimulate the defenses of the free world in that year. I believe there is both a greater consciousness of the danger which faces us, which Dr. Eaton was talking about a moment ago, and there is a much greater foundation of the power, economically and militarily, necessary to protect the free world.

Mr. GORDON. Do you feel the cooperation of the other countries is necessary?

Secretary ACHESON. The cooperation is very what?

Mr. GORDON. Is the cooperation of the other countries important and necessary in this defense production for defense of those countries?

Secretary ACHESON. It is very important?

Mr. GORDON. Yes.

Secretary ACHESON. It is essential, Mr. Gordon. I think it is absolutely essential. Progress has been made in that direction over the past year. It is not nearly as much as we hope or believe will occur in the immediate future. But an encouraging start has been made.

Now we have to press forward with that start, and press it more fully.

Mr. GORDON. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Chipperfield.

Mr. CHIPPERFIELD. No questions at the present time, Mr. Chairman.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Thank you, Mr. Chairman.

Mr. Secretary, we are all very much interested in Malik's proposal, indicating the possibility of a cease fire in Korea. In case it is possible to settle the Korean War and it will take all of the ingenuity and strength at our command, would that lessen the need for this Mutual Security Program?

Secretary ACHESON. No, sir; I do not think it would lessen the need. The solution of the Korean problem would enable us, the whole world, to draw back from what may be very close to the edge of the precipice.

It does not mean that danger has been removed. It does not mean any lessening of the need for effort in building our defenses.

It means that the disaster is not quite as close as it would be if the war continued.

Mr. BATTLE. As a matter of fact, one of our greatest dangers is the tendency to slack off in our efforts and determination to stop atheistic communism in the United States and elsewhere.

Mr. Secretary, I assume that a lot of thought has been given to our capacity, that is, our capacity to help the other nations of the free world. I am wondering if you believe that our economy can stand this impact of \$8.5 billion without cracking up?

Secretary ACHESON. Yes, sir. I am not an expert in these matters, but I am convinced from the work which has been done within the Government, and which will all be laid before you gentlemen, that we can well stand this effort.

Mr. BATTLE. Thank you, Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Mr. Secretary, a great many things have been touched upon in your reply to my distinguished colleague's last question.

The peace bid from Moscow with its play on semantics could well be a camouflage for a beclouding of our vision of what is going on in Iran, to say nothing of Burma, Indochina and so forth and so on, and the whole Near East.

Secretary ACHESON. We are doing our best to get clarification of what was meant by that speech the other day.

Mrs. BOLTON. I hope sincerely you will not be tempted to feel that the silver lining of that cloud is as heavy and shining as some people would like to have us believe.

As you know, my subcommittee on this committee is the Near East and Africa. The short title, No. 2, relative to the Near East and Africa, spells out very little of what is contemplated under this bill for the very explosive area of the world.

The Iranian situation, which has called the attention of the world to the vital importance of the Near East, to freedom in the Western World.

May I ask you to throw your mind back to the original Marshall plan consideration. At that time we were told, in words of one syllable, that Near East oil was vital to the rehabilitation of Western Europe. Is the Department still of that opinion, that Near East oil is essential?

Secretary ACHESON. Yes. That is our view, Mrs. Bolton. I think that has been inescapable. The oil of the Near East is a most vital and important resource for the free world. It is one of the reasons—not the only reason, but one of the reasons—why the present situation in Iran is so critical. I regret to say that every indication is that it is moving directly along the road to disaster. I see no bright spots ahead at all in that. But the oil in Iran, in Iraq, in Kuwait and Saudi Arabia, and that whole section of the world, produces the fluid which powers a great deal of the effort of the free world.

Mrs. BOLTON. Of course, we know the Russians well enough to know that they never actually withdraw. When they say they are out of Iran, they merely advise us that they have made themselves invisible. Anyone who knows the carefully worked out strategy of the Kremlin knows that they are underneath the Iran situation more grimly than ever. We have every reason to feel that some of the present situation is due to the infiltration of their ideas, and the use they make of local disputes in their effort to get us out of there.

I am not off the beam, am I, in my thinking?

Secretary ACHESON. I think, as you say, there is a deep and continuing interest in Iran on the part of the Soviet Union.

Mrs. BOLTON. It was particularly gratifying to have you say that aid to the countries of the Near East is to be an impartial aid. I find my people wanting to be assured that each country will be considered separately, rather than considering all Arab countries as one country?

Secretary ACHESON. I think that Mr. McElhee will be able to lay that out very fully before you, in detail, Mrs. Bolton.

Mrs. BOLTON. I see.

Secretary ACHESON. There is one matter which is being dealt with separately here in which I know you are particularly interested, and that is the refugee matter.

Mrs. BOLTON. Very definitely.

Secretary ACHESON. That is being dealt with in a way which I think will please you, because it is directed toward a solution of the matter and not merely temporizing.

Mrs. BOLTON. Then, of course, the oil, as you suggest, of Kuwait and Iran, and the new oil lines across the Arabian Peninsula to Haifa, and so on, are in your opinion of rather vital importance to the free nations of the world, are they not?

Secretary ACHESON. That is correct. Yes.

Mrs. BOLTON. Therefore the policy of our Government will be to assure the people of the Arab world that we are intending to have a truly impartial situation set up.

Secretary ACHESON. That is the basis of our policy.

Mrs. BOLTON. Thank you, Mr. Secretary.

Chairman RICHARDS. Mr. Zablocki.

Mr. ZABLOCKI. Mr. Secretary, I wish to join the rest of the Members in their expressions as to your statement. First I hope you will continue in your monumental task, despite the criticism, for you are doing a very great service to our country. I would like to pursue the question that Mr. Battle and Mrs. Bolton proposed to you.

I believe they asked questions in regard to the present offerings of peace in Korea by the Soviets and you gave an answer in that regard. However, should it come to pass that we would have an honorable, negotiated peace in Korea, would you say that this proposed mutual defense assistance and security program is still very vital for the future?

Secretary ACHESON. Very much so, indeed, Mr. Zablocki. I think that this program would not be minimized and would not be reduced in any way by a solution of the Korean problem. In fact, the program has in it, as I mentioned in my statement, a \$112,000,000 contribution for the United Nations program in Korea. That would be needed at a very, very early date if you had a solution of the fighting, because Korea is in bad shape as a result of this war.

Mr. ZABLOCKI. Is it reasonable to state, Mr. Secretary, that continuation of our efforts for the free world will not only be a deterrent to future Soviet aggression, but also an avenue of hope and encouragement to those nations who today are under the yoke of communist domination?

Secretary ACHESON. I think that is true, Mr. Zablocki. Yes, sir.

Mr. ZABLOCKI. A definite hope and encouragement?

Secretary ACHESON. I think so.

Mr. ZARLOCKI. That is all, Mr. Chairman. Thank you Mr. Secretary.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Mr. Secretary, I would like to allude to the statement made by my colleague, Mrs. Bolton, with reference to Iran. I think there is a disturbing report to the effect that four American destroyers have left Singapore and they are on their way to Iranian waters. Now, I am wondering what the purpose of these four destroyers is in going to that particular area at this time. One newspaper has referred to it as the "show of the flag." Are we attempting to exert any influence in the present situation?

Secretary ACHESON. I have heard nothing about such a report, and I should hesitate to accept it.

Mr. SMITH. You know nothing about the movement of these destroyers from Singapore?

Secretary ACHESON. No, sir. I never heard of it.

Mr. SMITH. Now, on page 4, Mr. Secretary, you referred to or you say:

Finally, we know that we could not continue to be the kind of a country we are, if we were to withdraw into a cave of isolation.

What do you mean by that?

Secretary ACHESON. I think it would be clear to all of us that if the process which seemed to be well advanced just before the Marshall plan was put into effect, that is, the collapse of Western Europe through internal weakness, had been allowed to go forward; or, if now through lack of effort on their part, or our part, they should collapse, and with them the areas with which they have been historically connected also were brought under Soviet influence, you would find that the American Hemisphere would be left in a position of isolation and weakness in a world which would be dominated by ideas which go back 2,000 years and more, and by a force which we would not be in a position to deal with.

Such a situation in Western Europe would have a profound impact on the other American Republics. The effect of such a situation upon our own country would be most destructive. If we were going to survive even physically we would have to move in the direction of such a change in our whole conception of government and life, so that we would really not recognize the America of that sort of a future as the America of the past or the America of the future which we would like to have.

Mr. SMITH. Now, on page 6 you refer to the successful conclusion of the Korean conflict. If we are to stop at the thirty-eighth parallel and agree that all fighting is to cease at that point, would you say we have successfully concluded the Korean conflict in the absence of the fact that we have failed to unify all of Korea?

Secretary ACHESON. Yes, sir. I should say that we have had a successful conclusion of the effort. We had occasion to discuss this matter quite fully before the combined committees of the Senate some weeks ago, and I would be very glad indeed to go over some of those ideas with you now.

There are two purposes in Korea. One, the military objectives and purposes there, grows out of the resolutions of the 25th and 27th of June 1950. The other is the great continuing purpose which the United States has had ever since the Cairo Declaration and which the

United Nations has had ever since 1947, when the General Assembly passed the resolutions looking forward to the unification of Korea.

A year and 2 days ago Korea was divided. It was at peace. There was no idea that the United States or the United Nations should call out troops and go into Korea for the purpose of unifying Korea by armed force. That was not United Nations policy, nor was it United States policy.

The attack on Korea occurred, and the United Nations passed two resolutions in the Security Council. One of them called on the North Koreans to withdraw behind the thirty-eighth parallel and cease their aggression. When they failed to do that, the other resolution branded the attacks as aggression against the Republic of Korea, and called on all nations to furnish forces in order to help South Korea to repel the aggression against them, and to restore peace and security in the area.

From the military point of view what we are doing and have been attempting to do is to repel the aggression and restore peace and security in the area, which remains the policy of the United Nations, to unify Korea, if that can be done. But it is not its policy that it must or should try to unify Korea by armed force.

Now, after the Inchon landing the military operation was such that it was necessary to go into North Korea. With the landing at Inchon the North Korean forces were cut in two. About half of the forces were bottled up in South Korea. The other half withdrew north of the parallel and continued fighting. There were guerrilla operations in South Korea by which the United Nations forces continually reduced this North Korean Army. However, very considerable portions of the enemy would melt away, putting on civilian clothes and throwing away their rifles, and go through those mountains and join up with the remnants that were in the north. General MacArthur went north under the directions of the Joint Chiefs of Staff in order either to capture or destroy this North Korean force, and that had been practically accomplished at the time of the Chinese intervention.

Now, I pointed out that if he had been able to do that, and if there had been no intervention by the Chinese—which were “ifs” of considerable size—then there would probably have been a unification of Korea as a result of the combat; but the combat was not for the purpose of doing that. It was for the purpose of eliminating this aggression by rounding up people who refused to surrender and who refused to lay down their arms and refused to do anything except keep on fighting.

If this aggression is stopped and if you have adequate assurance that it will not be resumed, and if those who are doing it will withdraw so that we know that there is not any immediate danger of resumption, then you would have repelled the aggression and you would have established peace and security so far as that can be done by military means in the area.

Therefore I should think that the United Nations would believe it had accomplished what it set out to do. It would then have before it the same task which it had before it on June 25, 1950, of attempting to unify Korea.

MR. SMITH. I regret I cannot agree that there will be a satisfactory conclusion of the Korean War.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. No questions at this time, Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Secretary, in your comprehensive, excellent statement, with which I am in almost entire accord, I observe that you say the primary objective of our foreign policy must always be to guard our Nation's security. Is that correct?

Secretary ACHESON. Yes, sir. That is correct.

Mr. JUDD. Do you agree that our country today has less security than at any time in its history since it achieved its independent existence?

Secretary ACHESON. No. I think that the world in which we live is a very, very dangerous world. I do not think we have less security than many times in our history when we have been threatened or we have been closer to the verge of the extinguishment of our independence than we are now.

Mr. JUDD. Well, I thought I remembered your stating to a group of us last year in your office that we were in greater danger then ever before and you spoke of Gettysburg, and of Valley Forge by name, and you said the threat was greater today than it had been on those occasions.

Secretary ACHESON. There is a greater power, perhaps, opposed to us than in the past.

Mr. JUDD. Put it this way. Leaving out the degree of danger, our country is not secure today. Is that correct?

Secretary ACHESON. It is not secure? Well, there are great dangers opposed to us. If we can put forward our efforts we can meet this danger.

Mr. JUDD. To the extent we are not secure, our foreign policy has not been successful?

Secretary ACHESON. Well, I should not think it follows.

Mr. JUDD. That does follow, does it not?

Secretary ACHESON. I do not think that really follows.

Mr. JUDD. Well, if the most important objective of our foreign policy is to make us secure, and if we are not secure, then the policy has not been successful. Will you tell me how you can escape that conclusion?

Secretary ACHESON. Yes. I think there are a great many things that arise that are not a result of foreign policy, and foreign policy has to meet them.

Mr. JUDD. Well that is a good, evasive answer. Or rather, it is an evasive answer, but not a good answer.

The thing I want to congratulate you for is that in your statement it appears that you have at last joined those of us who have been critical all these years because the administration has not, in our judgment, paid sufficient attention to the Asian parts of the world with which you have dealt at length, and from which the threat has come that put us into actual conflict.

For the record, I should like to read a statement from the hearings a year and a half ago, when you were before us advocating extension of the ECA, and I expressed my conviction that failure to have a similar program in Asia would threaten the success of our program in Europe. I said there:

The reason I am more concerned now than I have been at any time previously is partly because we have not made the same kind of effort in China, and we are not

making in southeast Asia now the kind of vigorous effort we have made and you are advocating with respect to Europe. That is what disturbs me—that we are going all out in the one place and not really trying in the other.

This was before Korea.

I am afraid that the half-heartedness of the effort in Asia will ruin the all-out effort in Europe. I want you to have the same kind of determination with regard to southeast Asia that you have with regard to Europe.

You were gracious enough to say:

You keep working on me.

So I have been working on you, Mr. Secretary. I am grateful that in your statement you have now put in its proper proportion, that area of the world where the 700,000,000 people live who control the world balance of power. On one side of the balance is Russia with 800,000,000 under her control, and on the other side is the free world with roughly 800,000,000, and it is these 700,000,000 living in the crescent from Japan to Iran, or as I have usually described them, in the 12 fingers that lie on the borders of China which is the hand—it is these 700,000,000 who control the balance of power. I congratulate you. We have supported you in Europe, where events have proved you right; and we have opposed you in Asia, where events have proved you wrong. Now you have joined us with respect to Asia, and if your Department exerts vigorous effort in that direction, I hope we can get again a bipartisan foreign policy that I believe would be in the interest of the United States, and better achieve the security which you and I both want.

I have no questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. Thank you, Mr. Chairman.

Mr. Secretary, considering the aid which has been extended to France and Italy in the postwar period, are you of the opinion that we are to be encouraged or otherwise by the results of the recent elections in those countries?

Secretary ACHESON. Yes, Mr. Burleson. I think those elections are encouraging. I think the election in France was both a percentage decrease and a numerical decrease in the Communist vote. Since the election was largely fought on the basis of the Communists' attitude, and the whole North Atlantic Treaty program, and since as a result of that they lost in numbers and lost in percentages, I think that we can have a feeling that the great bulk of the French people are thoroughly in support of the program. I think the municipal elections in Italy showed the same trend.

Mr. BURLESON. I have this further question: Although the numerical strength of those elections were, as I understand them, not radically changed, I assume encouragement comes from the coalition of power?

Secretary ACHESON. The municipal elections in Italy, I think, were important in showing Communist decreases in the important areas in the north, of which they had control before.

Mr. BURLESON. In the course of these hearings, Mr. Secretary, it seems to me that we of this committee and, of course, Congress, should be able to answer the question that is evidently in the minds of most of the American people, which is to this effect: Western Europe, looking at Western Europe broadly, comprises approximately, I believe, 250,000,000 people, with a far greater industrial potential than

Russia and her satellites. The question is, Why should this country of 150,000,000 people be called upon to support them when, if they had their potential industrial might and their moral strength united, they would do a much better job, with much less assistance from us, than they are doing.

Now, I hope in the course of these hearings we will be able to answer that question. Do you agree?

Secretary ACHESON. I think that will be very fully brought out, Mr. Burleson.

Mr. BURLESON. It seems to me to be the core of this entire effort and these entire hearings, and that we should be able to have that developed without question before the end of the hearings. I direct that suggestion to my committee as well as to yourself, Mr. Secretary.

Secretary ACHESON. I think it will be brought out fully as to the nature of the problem that we all have to face in Europe. Although you have this large population, depending on what part of the area you want to bring in—take the whole OEEC group, and it is about 275,000,000. If you take the North Atlantic Treaty partners only it is about 175,000,000; and as you add you can move up from 175,000,000 to 275,000,000.

Now, although you have this large population, and although it is a population which is industrially trained and proficient in production, and although there is a large amount of industrial equipment there, there are several very serious problems that they face.

One is that there are lacking certain raw materials which have to be brought in from the outside. That is to some extent true in our own country, but not nearly to the extent that it is true in Western Europe. Also, the total area of our North Atlantic Treaty partners is about one-third of our own. Also, the per capita wealth of that area is about one-quarter of our own. Also, this area has been through two very devastating wars, the last one resulting in the occupation of all of the continental part of our North Atlantic Treaty partners, so that they have had in the 5 years since the end of the war a great struggle to build up from the destruction, the loss of trade relationships, the loss of their political connections with other parts of the world, and bringing a standard of living which had fallen very low up to a degree where it would support democratic life.

During that time many of our partners have had great troubles of their own in other parts of the world. The Dutch have been through their difficulties in Indonesia. The French have been carrying on a struggle with communism in Indochina in which they have suffered about as many casualties as the United States has suffered in Korea. This war has been going on for 4 years. It has had a very great drain on French military effort.

The British have had very considerable troubles in various parts of the world. All of those are things which have to be met. All of those indicate the necessity for assistance and help from the outside. But I think with all of that there has still been very commendable progress; not as much as we must have, but very commendable progress.

Mr. BURLESON. I realize we are not facing a simple problem. Thank you.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. Mr. Secretary, we are glad to see you here today. We will go through many days of testimony, so there must be an effort to keep going.

I think we people of good will in the United States who want to protect the security of the people, as distinguished from being architects of either side of the 1952 election campaign, must look for an American policy. In that American foreign policy there must be an over-all United States policy rather than either a Democratic or Republican policy, or any individual's personal policy. Do you not agree?

Secretary ACHESON. I agree with that. Yes, sir.

Mr. FULTON. I might say to you we people who work on foreign policy, while we do have disagreements with you, nevertheless we respect your integrity as an American citizen, and your honesty. I should also point out we Republicans differ among ourselves too, because we have Eisenhower Republicans and Taft Republicans, and we have our share of disagreements too.

Now, the question has come up here of the possibility of a quick settlement in Korea because of Malik's statement. I wish you would put as a condition, Mr. Secretary, on dealing with or making any negotiations for settlement, that the North Koreans and Chinese Communists will first respect the Geneva Convention on the prisoners of war which we and our allies have lost to them. They must first show they are protecting those boys, and giving us the names and addresses, and letting the packages go through, and let these families know where they are, and what condition they are in. And, don't talk, Mr. Secretary, unless you get that kind of assurance.

Secretary ACHESON. That is one of the most vital questions in any possible talk.

Mr. FULTON. The burglar with his hand caught in the till or cash register wants to compromise. I think if we allow someone in that position to negotiate with us we should take the treaty and show them what it means to be decent, and the things they have not been living up to with regard to international law. Otherwise we are further compounding the felony that has already existed. Do you not agree?

Secretary ACHESON. Yes. It is a very important question indeed.

Mr. FULTON. Again I would ask you as Secretary of the Department not to use the people of free Formosa as a bargaining element, or a makeweight in any decision to obtain a decision in Korea. I hope you can this morning say to us that that will not be a bargaining element or a pawn in our trying to get any settlement in Korea.

Secretary ACHESON. I think we have always taken that view, and we will continue to do that.

Mr. FULTON. You will continue to do that?

Secretary ACHESON. Yes.

Mr. FULTON. I have a further question. In Iran the Government of Iran is the sovereign power. In Britain the Government of Britain is the sovereign power. In Britain they have socialized the industries of coal and steel. I come from Pittsburgh and have an interest in that, and we watched it very closely. In fact, I might say to you, Mr. Secretary, one-half of the audience today are students of the University of Pittsburgh—foreign-policy students seeing how the Foreign Affairs Committee and the Department operate.

The Government of Iran has the right to act as a sovereign in its own country. Why then, when the Anglo-Iranian Oil Co. is in Iran as a private company, cannot the Government of Iran, equally as Britain has done, socialize the oil industry in Iran, as against a private company, the Anglo-Iranian Oil Co.? That question has been asked of me many times, and I would like to know if you can answer it. If Britain can socialize her basic industries, why cannot the Iranian Government do the same in Iran?

Secretary ACHESON. Mr. Fulton, there are two parts to the question which you have asked today. One is a legal part, and the other is the great question of international relations.

On the legal side, I do not want to get into this because this has now been referred to the World Court, and the World Court is able to take jurisdiction, and I presume will decide it. The argument revolves around the question as to whether a contract entered into by a sovereign nation is not also something that the sovereign nation must take into consideration and carry out. Are there no legal rights which arise out of a contract?

I do not think that at the present time either the British Government or the Anglo-Iranian Oil Co. is taking any action contrary to the idea that the Iranian sovereign may do or take this action to nationalize the company with their own oil resources. They do say, however, they have certain contractual rights which are legal and binding and were entered into freely, and those must be respected.

Quite apart from that part, and coming to the other question, the problem is how can the interests of Iran and Great Britain, which as a nation owns about 52 percent of the Anglo-Iranian Oil Co., be harmonized here, so that the Iranians can do what they think is necessary for their own self-interest, and also so that the oil properties can operate.

The Iranian Government has in the past—although it does not seem to be doing this today—in the past it has seemed to say this argument was not about who should operate the wells. They thought the company was the only group that was able to operate. The question was, Under what terms should they operate? The British offered terms the other day which seemed to be a very sensible basis for negotiation. To our deep regret the Iranians rejected those without any real consideration. They considered them 20 minutes and then rejected them.

Now they are getting into a position where it looks as though the properties might not be operated. That hurts everybody. The Iranians do not get oil; they do not get the profits from the oil; 80,000 people employed may be thrown out of work. All of this will lead to great uneasiness and unrest in the country.

It has seemed to us if the Iranian Government would put its mind on its real interests in this matter, that the problem could be worked out. I think the events of the last 2 weeks have seemed to indicate that was what the British representatives were prepared to do.

I do not know whether I have answered the question. I have just talked about problems.

Chairman RICHARDS. The gentleman's time has expired.

Mr. Roosevelt.

Mr. ROOSEVELT. No questions.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Secretary, joining my colleagues in welcoming you here in this very important matter, I would like to ask you whether you believe that the vote on this bill—this big bill—represents or does not represent—and I would like your answer to it—a fundamental decision as to whether we will have allies with us, or whether we are going to go it alone in the world?

Secretary ACHESON. I think it does, Mr. Javits.

Mr. JAVITS. So that this is the payoff vote in the so-called great debate that has been going on, is it not, as a fundamental question of the policy of the United States?

Secretary ACHESON. I think this raises that debate to a concrete issue. Yes.

Mr. JAVITS. Do you see any indication from the news we get from Korea that the Russians, who have been back of this North Korean invasion of South Korea, having found armed aggression unprofitable, may now, as they have the power to do, being a dictatorship, shift the gears and go over into a broad-scale program of internal revolution and subversion, due to the fact that they apparently have not been able to make external armed aggression pay? Do you see any major shift in Soviet emphasis from this situation?

Secretary ACHESON. No. I think it would be a mistake to regard that speech the other night as a change in their policy, or strategy, or purpose. It may represent a sincere desire to end the fighting in Korea. If it does represent that, I do not see any reason to believe it goes any further than that; or, it may not represent that at all. We are now trying to find out, as I said in answer to Mrs. Bolton, by the most direct questions to the Soviet Government, as to what it does mean by this.

Mr. JAVITS. So that you feel we must still be prepared for possible other external aggressions, either directly or by proxy such as in Korea, at the same time as we also are prepared to and do work against other internal revolutions or subversions fomented by the Soviets by a program such as this?

Secretary ACHESON. I think so. Yes, sir, Mr. Javits.

Mr. JAVITS. Is this program then of \$8½ billion as compared with \$60 billion, which is the sum total of the President's budget for the armed services, designed to balance our preparations against those two real threats?

Secretary ACHESON. Yes, sir. You are quite correct about that. This is the part of the total security program which strengthens our allies so that we have a mutual security arrangement rather than an individual one.

Mr. JAVITS. So that if you did not do this you are preparing for one way in which the Kremlin can conquer the world with external military force and leaving yourself open for the other way, in which they can conquer the world by internal subversion?

Secretary ACHESON. I think that is right.

Mr. JAVITS. You would agree with that?

Secretary ACHESON. Yes.

Mr. JAVITS. Is that the basis on which the administration proposes to fight for this program?

Secretary ACHESON. Yes, sir.

Mr. JAVITS. I noticed that the program does not speak of or contain provisions for capital investment, though it, I assume, has paid some

attention to it, and if it has not, it certainly should. The reports of the Gordon Gray committee and the International Development Advisory Board with Nelson Rockefeller, as chairman, have been made both boards appointed by the President to deal with this question.

Could you tell us to what extent the recommendations of these two bodies have been taken into consideration in proposing this program?

Secretary ACHESON. I mentioned very briefly in my statement the place that private capital investment would have in the development of the program. That will be brought out much more fully before you by the witnesses who will follow me and go into more of the details of the matter.

The investment of private capital is the means through which we hope that the real development will take place in those parts of the world where private capital can safely go. There are many parts at the present time where a private investor would be rather reckless to invest his money. There are other parts where particularly with the development of the treaties which we are working on now, and which we are having considerable success with, in the development of those treaties there will be an expanding area where private investment will be protected and where private investment will carry the load of the development.

Mr. JAVITS. May I ask one other question?

Chairman RICHARDS. You have 1 minute.

Mr. JAVITS. You are going ahead now with this program for economic reconstruction and we have all understood that the great problems of Asia are nationalism and social and economic reforms. The fact is that problems of land tenure and social problems of welfare, health and education, have been the points of greatest irritation in that area. What is the administration's idea of what we are going to do to try to bring about really needed social reforms in this great crescent which we are now beginning to aid in an economic way by this program?

Secretary ACHESON. We have been keenly aware of the need for those reforms and have pressed them, and were very successfully doing that in Korea, as you recall, at the time of the attack. It was estimated by the end of 1950, if this attack had not occurred, the land reform program in Korea would have been carried out to the extent of over 90 percent. That was all upset by the war, and the people being driven from their homes, and all that sort of thing.

It is the No. 1 item in dealing with that country. It has also been proceeding much more satisfactorily in Formosa than it has been in the past. It is one of the questions which the ECA has been taking up. They are working very strenuously with the Philippine Government and progress is being made legislatively and administratively in the Philippines.

I am not familiar with the situation in Indonesia. However, you are right in believing that this is one of the fundamental questions which our economic missions take up and work with the local governments about in carrying out our aid program:

Mr. JAVITS. Thank you, Mr. Chairman.

Chairman RICHARDS. Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman. I join with my colleagues, Mr. Secretary, in welcoming you here this morning. I will only ask one question. I realize that time is short.

What means, if any, have we planned to educate the peoples of Europe to the objectives of this noble program other than the Voice of America?

Secretary ACHESON. I think so far as the direct education of the people is concerned, there is a direct or indirect way, or perhaps they are all indirect. We have, in addition to the Voice of America, a very considerable work being done through our ECA missions and the diplomatic missions in working directly with the press and radio of the countries concerned, so that they are continually being given the full facts about the situation, as we see it, and the efforts we are making, and the efforts which we think are necessary for other people to make.

We then have a very considerable program of exchange of persons. Recently we have had here a very large group of German journalists who have been in this country. Some of them were here for a year, and some go to school in the Midwest, and Northwest, and some in the eastern universities at schools of journalism. The others come here for 2 or 3 months. They are taken all over the United States and shown the whole country. I think some of them have visited you up here at the Capitol to get an idea of how our National Government works. They go to the States and to the municipalities, and they see all branches of American life.

We are doing the same thing on a much slower basis through students. We have a very considerable number of exchange programs.

Now, there are other ways in which this is being brought home to people. The military missions which we have abroad, which operate with the armies of Italy, France, Belgium, Holland, and Norway, and in a number of other countries, in showing them the new American equipment, are real sources of education. Those people—the enlisted men, and the officers—get out with the troops of the Nation involved and get to know them, and talk with them, and talk about their own country, and our own purposes, and through them you get into the Armed Forces an understanding of what is going on.

There is a very considerable and rather diverse group of efforts which we are conducting.

Mrs. KELLY. Thank you, Mr. Secretary, I understand our programs have not been too successful. I wonder if you had given any thought to a direct program of the Voice of America emanating directly out of the country, to which we give assistance. We should use speakers and writers who think in the language of the people we want to reach. It seems to me we have not reached the peoples of the world.

Secretary ACHESON. I am just not able to answer that, Mrs. Kelly, but we will have that answer for you in the course of these hearings.

Mrs. KELLY. Thank you. I have one more question. Do you believe the termination of the contracts of the Iranian Government with Great Britain will have any effect on the lack of desire of Americans or American private enterprise to invest in these undeveloped areas?

Secretary ACHESON. Very much so. Very much so, indeed.

Mrs. KELLY. And the outcome of this Iranian situation is very definitely affecting this program?

Secretary ACHESON. If an investment is not secure in an area, people are not going into it.

Mrs. KELLY. In our agreements with those nations, are there any provisions taking into account the possibility of a change in their government?

Secretary ACHESON. Yes. That is one of the matters which is worked out very carefully in these treaties, so that it is provided either that nationalization will not occur in certain industries for certain periods of time, or that if it does, prior compensation in the currency which was invested will take place.

Mrs. KELLY. Thank you, Mr. Secretary.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Secretary, in this very significant presentation you have made to us with respect to the program for the coming fiscal year, you outlined a program that envisages military aid and economic aid, to bolster military aid for a 1-year period only. When the ECA came before us it was worked out very carefully, as well as that kind of calculation can be made, for a 4-year period, with a descending scale of aid at the end of the 4-year period.

In the course of the hearings, is it possible to anticipate that we will have presented to us the program as it is being worked out over a period of years, so that we can feel within "X" period of time the security of Western Europe can be reasonably assured by the operation, say, of a 3- or 4-year program, or whatever it may be, and so that we will have in front of us a complete picture? It necessarily cannot be final, but at least we can visualize a program that has some sort of a terminal or something, so that we can see the whole picture and not necessarily just this fiscal year.

I ask that because if the military determined that so many divisions, with so much equipment, and so much air power, and so much sea power, are adequate to maintain a defensive position, then presumably how much is done in each year to achieve that position becomes a part of the same program. If you cut a piece of it in one year you merely have to add it to another if you are going to achieve that eventual goal.

I wonder how you visualize this presentation being made to us?

Secretary ACHESON. I think it can be made during the course of the hearings and probably the committee would wish to have that done in the executive sessions. In the past years it has not been possible to do that because there have been some parts of the program which were just unknown. Those are now becoming clearer, and I think it will be possible for those who have been working in this future projection to give an estimate which will have to be, as you say, an estimate, because you cannot actually foresee the immediate costs or the speed with which you can work 2 or 3 years from now. I think they can give the committee a pretty concrete idea as to the length of period that the program will take and the costs of the program during that period, and the time when the program can be very greatly reduced, and when you can expect it will be largely in the field of maintenance.

Mr. HERTER. Just one other question along the same line. The end items that are provided for, which represent a very large part of this program, are merely a percentage of what comes off our production lines, and may be applied to Korea, or may be applied to Indochina, or to the training of our own troops here, or may go to the effort in Europe.

Under lend-lease the so-called end items in the way of military equipment went to various countries, but title remained in the United States. This program, as I understand it, envisages giving away of the end items without retaining title in any way, shape, or form.

I am wondering in connection with the whole NATO set-up in Europe, when you have a single commander in chief, whether some consideration should be given to the question of title to the equipment remaining within the organization rather than with individual nations. There are possible differences that might arise from that point of view in the future, in reallocating end items, where you might need them for security purposes.

Secretary ACHESON. I know thought has been given to that, Mr. Herter. I do not know what the weight of the considerations are, but I will have that brought out in the course of the hearings before you.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. Mr. Chairman, there are some questions which I do want to ask, but the House is about to have a roll call and I presume there will be opportunity later on for me to ask these questions.

Chairman RICHARDS. There will be, but if the gentleman wants to take his 5 minutes now, he can also do that.

Mr. REECE. I might ask one question that does not relate to the details of this bill. It is a question that I have found in the minds of the people all over the country, and it touches on the suggestion which the gentleman from Minnesota propounded a while ago.

At the close of the war some 6 years ago we and our allies had won a complete and overwhelming victory. Toward this victory the United States had contributed a very substantial percentage of the effort. We had produced possibly as much, or more, matériel as all the rest of the Allies put together. We stood at the pinnacle of our strength. We were looked to by all of the nations for our inspiration, support, and guidance. We stood on the very pinnacle of our history.

Today our own security is threatened. Civilization itself is said to be endangered. Now, what policies have we followed, or what policies have we failed to follow, that permitted this tremendous change in our world position within so short a period of time? That is a question that has the people of America very much disturbed.

There must have been some policies that we followed or some policies that we failed to follow which have brought about this great change in world conditions in so very short a time.

I would like to have your comments on it, since you have been in the position of great responsibility during this period.

Secretary ACHESON. Mr. Reece, I think that a part of the matter has to do with Soviet foreign policy and Soviet military policy. At the end of the war, as you correctly say, we were at a pinnacle of power, but you must examine a little bit the nature of that pinnacle.

At the end of the war, of the three great military powers outside of the United States, two had been destroyed—Germany and Japan. Germany and Japan had been on either side of the Soviet Union and they had been destroyed as military powers.

At that time their place in the military world was taken by 12,000,000 Americans who were under arms; the greatest American fleet—the greatest fleet of any nation or all nations which ever sailed

the seas—was in commission and in battle order; and the greatest air force that had ever been brought together was in operation.

If it had been the will of the American people to maintain those 12,000,000 citizens under arms, and that air force, and that navy, then many of the things which have happened might not have happened. It was clearly not the will of the American people. We are a peaceful people. We do not want to live in a garrison state. Our men do not want to spend their lives under arms.

So, that force was demobilized and they were brought home and returned to civilian life. The ships were put up in mothballs and the airplanes became obsolete.

Mr. REECE. If I may interject, if by maintaining the 12,000,000 men under arms, by maintaining our great fleet, and by maintaining our great air power that would have enabled us to have held the balance, then by our failure to do so—and I am not indicating what influences caused us not to do it—in what way did that contribute to the building up of this great strength on the part of the totalitarian forces which now is threatening the peace and security of all the world or of all free governments?

Secretary ACHESON. Well, you see, the military power of the Soviet Union was in existence at the end of the war. It was there. The Soviet Union did not follow the demobilization policy which we followed. It maintained for a very considerable time almost its full wartime mobilization, and now has a very considerable mobilization.

Its troops, being in occupation of what are called the Eastern satellites, proceeded to organize those Eastern satellites into Communist states which were under Soviet control and proceeded to build up their military power. In one case, Poland, they have even put a Russian general in actual command. So that that military power continued to exist.

We, who were in occupation of Europe and of the Far East, withdrew our forces and demobilized them. Therefore, you had a military force left in that great land mass going from the Elbe to the maritime provinces of the Soviet Union. All we maintained were two or three divisions in Europe and four divisions in Japan, and the fleet was mostly put up in mothballs.

I am not doing more than answering your question. You say, why was there this imbalance of military power. It was because the power which had defeated the two existing military empires was demobilized. Those military empires ceased to be military empires. The Allies which we had in the war were very weak as a result of the war.

The whole purpose of our foreign policy was to prevent the use of force for the settlement of international questions and that was what we directed our attention to through the United Nations.

As we began to see that was not the course of Russian policy, we developed the treaty with our Latin American allies, and the North Atlantic Treaty, and the military assistance program, and we are now filling this void which was created to the loss of opposing power—

Mr. REECE. During this war period it was necessary for us to furnish all these other nations, including Russia, tanks and airplanes and most of the matériel for war. They were then helpless. Now they threaten to dominate the world.

Chairman RICHARDS. The gentleman's time has expired but he will have an opportunity tomorrow to pursue that line of questioning. The Chair wishes to state that there is a roll call on the floor now. Right after that roll call there will come up a bill in which many committee members are interested. For that reason we want to suspend these hearings right now and plan to come back at 10 o'clock in the morning.

Mr. Secretary, would you be available at 10 o'clock in the morning?

Secretary ACHESON. Whenever the committee wishes; yes, sir.

Chairman RICHARDS. The committee will adjourn then until 10 o'clock in the morning.

(Whereupon, at 12:13 p. m., the committee adjourned until 10 a. m. the following day, Wednesday, June 27, 1951.)

THE MUTUAL SECURITY PROGRAM

WEDNESDAY, JUNE 27, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the Ways and Means Committee room, New House Office Building, at 10:13 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please. I would like to say to the members of the committee, and the witnesses too, that the reporters had a little trouble getting what was said yesterday over the microphones.

I hope the members of the committee, and also the witnesses, will sit a little closer to the microphones.

We have the same witness before us today that we had yesterday, the distinguished Secretary of State. Mr. Secretary, we are mighty glad to have you again with us this morning.

We finished questioning under the 5-minute rule yesterday. Now we are going to proceed with the system we have for unlimited questioning as to time. I hope it will be limited in some other respects.

I have been informed by some of the members of our committee that there appeared in one of our newspapers, on Monday last, an article to the effect that I favored a \$3 billion cut from the figure proposed here for foreign aid. This statement is entirely erroneous. If I ever made any such statement, it was in my sleep and I knew nothing about it.

I have said the figures presented here should be cut as far as possible could be done without injury to the program. We owe that to the people who pay the taxes. But when it comes to the question of cutting this Mutual Security Program over one-third, my opinion is it simply cannot be done and should not be done. To my way of thinking, the Marshall program and the arms aid program have been preeminently successful. I would hate to think of the situation in the world today if these two programs had not been inaugurated.

Of course, this committee does not wish to adopt figures that have just been taken out of the air. We want these figures substantiated by evidence. In short, my view is that the basic provisions of this Mutual Security Program are just as necessary to the security of the United States as the program called for in our defense budget itself. In the interest of our own economy, all of these programs must be carefully scanned and the useless limbs and deadwood cut off wherever found.

Mr. Secretary, I am going to turn you over now to the tender mercies of my good and dear friend, the former chairman of this committee, for questioning.

Mr. EATON. I will be extremely tender because I have no questions at the present time. I recognize that we are in a great strategic moment in history, and we have to organize our national resources, first of all to defend our own safety and security in the world, and, secondly, to discharge our obligations to civilization, if it is to persist throughout the world.

Consequently, I would like to have the Secretary of State, who is a notable originator of ideas, to further discuss this program before further questioning.

Chairman RICHARDS. Mr. Secretary, I will refer you for further illumination to the gentleman from Montana, Mr. Mansfield.

Mr. MANSFIELD. Mr. Secretary, unfortunately I was not able to hear all of your testimony yesterday, but I read it last night. As usual, I was very much impressed.

I understand that there was some question raised as to whether or not the possibility of peace negotiations would entail a stopping at the thirty-eighth parallel. I understand further that your answer was, in general, "Yes."

I would like to call to the committee's attention, and for the record, a speech which I made in the House on March 20, 1951, in which I stated, in effect, that the thirty-eighth parallel in Korea should be the line where the fighting would stop.

I would like to quote from that, if I may, Mr. Chairman, because I think it bears a little bit on this question, at least as far as I am concerned.

I am quoting now as of last November 1950:

Last November I urged that a buffer area be created along the Manchurian-Korean frontier; that the UN troops stop short of it and that the buffer area be occupied by South Korean troops.

Since that time, conditions have changed markedly. I now wish to urge that the United States forces advance as far as the thirty-eighth parallel and stop there so that the original Republic of South Korea can once again be established in its own right.

I further recommend that South Korean forces be sent into the area north of the thirty-eighth parallel up to the thirty-ninth parallel so a defense line can be established which will increase the defensive strength of South Korea and establish a status quo which can be maintained.

Furthermore, if and when this is done, a warning should be issued against any further attempts to disturb the situation as thereby created. A move to the thirty-ninth parallel by South Korean forces and a declaration of maintenance for the status quo will, in my opinion, be a long step toward stopping Stalin's plans to involve us in an all-out war in Asia; it will allow the UN to start rebuilding South Korea and will have served notice to the world that aggression does not pay.

It might be well to point out that recent remarks by Gen. Douglas MacArthur and Gen. Matthew B. Ridgway indicate that in their minds there is no longer any serious thought of attempting to liberate all of Korea.

General Ridgway has stated: "If the Korean War ends at the parallel, it would still be a tremendous victory for the United Nations."

Mr. Speaker, the most important result of the Korean War to date is that not since it began have the Russians or any of their satellites launched any other act of territorial aggression.

This does not mean that they will not do so, but the fact remains that they have not done so. Perhaps one of the reasons for this is because not one but a number of nations have stood up and insisted that aggression be resisted.

Russia, with her Communist Chinese and North Korean allies, has not been allowed to win a cheap and swift victory.

It is too soon, perhaps, to say that the war in Korea has prevented a world war, but it seems safe to assume that our resistance in Korea has put off a general war and has won for us time to build up our strength and to continue to work to prevent a world war.

We have had to pay a high price to put down aggression in Korea but we have pointed out to the Russians that a satellite cannot commit an act of aggression with immunity.

The North Koreans and the Communist Chinese have gained nothing except a frightful loss of life and prestige. While the unification of all Korea is the ultimate possibility in that part of the Far East, yet it is of greater importance to us that we discharge the Russian bloc from further adventures which would sooner or later launch an atomic war.

I just wanted to put in the record that my opinion at that time was that the factor which we are now considering should be given deep thought and consideration.

Now, Mr. Secretary, according to the Washington Post this morning the following statement is contained therein in regard to the Malik proposal:

It may represent a sincere desire to end the fighting in Korea. We are now trying to find out by the most direct questions to the Soviet Government as to what it does mean.

This statement is attributed to you, Mr. Secretary. Would you mind amplifying on that, if it is true?

STATEMENT OF HON. DEAN ACHESON, SECRETARY OF STATE—
Continued

Secretary ACHESON. Mr. Mansfield, we were looking in the record just before the hearing began. We were looking to see if we could find the passage, because there was some question as to just what I did say.

We have not been able to find that particular place. But we have found on page 59 of the record a statement that we are doing our best to get clarification as to what was meant by that speech the other day.

Mr. MANSFIELD. A member of the staff has given me the record of yesterday's proceedings, and evidently in answer to Mr. Javits you had the following to say, which seems to come the closest—

Secretary ACHESON. What page is that?

Mr. MANSFIELD. Eighty-one. It is in the second paragraph, the last part of it. That seems to be the material most closely akin to the quotation in the Post.

Secretary ACHESON. The one which says:

We are now trying to find out—

as I said in answer to Mrs. Bolton—

by the most direct questions to the Soviet Government as to what it does mean by this.

Mr. MANSFIELD. Yes.

Secretary ACHESON. That is the place I am sure they had in mind. I think it is hardly necessary or perhaps desirable for me to expand on that statement.

The statement is quite correct. We are trying to find out, and by the most direct possible means, from the Soviet Government as to what it meant by Mr. Malik's statement.

We have not yet succeeded in doing that. I hope that today will bring forward some further light on the matter.

Mr. MANSFIELD. Mr. Secretary, then would it be safe to assume that so far as this Government is concerned, all that we know, in effect, is what Mr. Malik has said in his speech?

Secretary ACHESON. That is absolutely correct, Mr. Mansfield. There is no further light on the subject at this moment than Mr. Malik's statement. Mr. Malik's statement, as you can see from reading it, is somewhat vague.

Mr. MANSFIELD. That is all. Thank you, Mr. Secretary.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. If I do not shout loud enough, I hope the chairman will advise me.

May I ask you what you feel has been the attitude of this committee in the matter of cooperation with you and your Department in relation to this bill?

May I give you the background of the question? There have been some comments on the air to the effect that the executive department has had absolutely nothing to do with the delay on this very important measure, that it was entirely due to the Foreign Affairs Committee, which was apparently unequal to the task and giving very little cooperation to your group.

Actually, the chronology is that the committee print came to the Foreign Affairs Committee in mid-May. The President's message was sent down on May 24. The executive branch did not have its material ready for presentation by the end of May or early June.

You yourself were kept very busy at the other end of the Capitol and could not give this any attention. The decision for a visit to Europe was made about June 5, at the request of the various departments. The committee members left on June 8 to return on the 19th.

The committee has been in its own consciousness waiting many weeks for yesterday; indeed since February.

May I ask you if that is confirmed by your own understanding?

Secretary ACHESON. Yes, Mrs. Bolton; that is quite correct. I have been working with this committee for a little over 10 years now. I have never found anything except the greatest cooperation from the committee.

A very great step was made some years ago, for which you were largely responsible, Mrs. Bolton. That was the creation of the subcommittees of this committee, which has made it possible to work much more closely on matters which did not deserve the attention of the whole committee.

On this particular bill I think we attempted a new development, which was most useful. And that was to have consultations with the committee in advance of the formulation of a program or a bill.

You are quite right, that difficulties in the preparation of the material at the Executive end were the cause of delay, and the committee has always been pressing us throughout this whole period to master those delays as quickly as possible and get forward with our work.

The chairman was ready weeks ago for the hearings, and discussed that question with me.

The committee has been on its toes and eager to go forward through all this matter. It has been a very great help to us. I think the

effort of the committee in taking the study trip to Europe was a very great step forward in the development of material on its own initiative in advance of hearings.

Mrs. BOLTON. I am very grateful for that exposition from you, because I think it is very essential that in these serious days that the country understand that this committee and your Department have been working increasingly closely together, that you have been coming to us for consultation, and that we have had some opportunity to discuss with you many of the features that were eventually put into the various bills.

At the present time, of course, we do not have a draft of a bill, as we have had in the past. We have only this proposed draft, which has been put into the Mutual Security Program, the basic data, supplied by your executive branch, as the chairman stated at the opening of these hearings.

May I thank you for this clarification. I hope it will be clear to the country.

I have no real questions at this point, Mr. Chairman.

Chairman RICHARDS. Thank you. I want to thank the gentleman from Ohio for bringing that point out. There has been the utmost cooperation between the legislative and executive branches in regard to this particular bill.

As the Secretary just brought out, there is a mass of data and information that has to be gathered, not only from the different divisions of the State Department, but also from other departments of the Government, such as the Department of Defense.

Primarily the thing that held this thing up was that the executive branch had not accumulated the facts that they thought should be presented to the committee.

Then the Secretary of State was called before this committee over on the other side, the joint committee. Just about the time they were ready it was suggested that a group be sent to Europe to look into this thing.

Mr. Secretary, I appreciate your making that clear, that the fact that this bill is just being brought up now is not due to the dereliction of the chairman or any of the members of the committee. Dr. Morgan.

Mr. MOROAN. Mr. Secretary, what are we doing to mobilize public opinion both at home and abroad in favor of this program?

Secretary ACHESON. Mr. Morgan, I was discussing that a little bit with Mrs. Kelly yesterday. She asked me a question which I was not able to answer. Perhaps I can bring the answer out now in response to your question.

As I stated to Mrs. Kelly yesterday, we are carrying on through the regular channels of information the clarification to people abroad of our whole program and our whole attitude in creating collective security.

That involves the Voice of America work; it involves our information services in the various foreign countries, which work very closely with editors of local papers, giving them information from this country on that point; it involves the exchange of editors of foreign countries coming to the United States, and American editors, radio commentators, and others going from here abroad; it involves an exchange of newspaper people, labor representatives, and a great many other people.

In addition to that, we are now going into various other programs. Mrs. Kelly asked me yesterday if we were broadcasting locally, that is, I think she meant other than short wave from New York.

The answer is that we are—in two ways. In one form of broadcast it is originated in New York but is picked up in the foreign country and put on long wave so that it can be received through the ordinary receiving sets.

Another thing that we do is to appear on local programs in European countries, not as the Voice of America, but upon the various programs in France, Belgium, Holland, Italy, and virtually all the countries of the free world.

There we have people, only some of whom work for the State Department, who come from the United States, and who appear on such programs and tell the people of that particular country about what is being done in the United States and what is the attitude in the United States on problems of common interest.

That is proving to be very effective, especially in the Allied countries. In the countries behind the iron curtain the Voice of America is eagerly listened to, because they do not get the truth over their own radio and the people want to get the real news. But in the Allied countries the people are more inclined to listen to the programs to which they have been accustomed to listening. So they listen to those programs.

We are doing something which is very effective in the field of publications. We are working closely with sympathetic groups in foreign countries. These are sometimes civic groups, sometimes religious, sometimes labor, sometimes business, or sometimes societies which are formed, for example, for United States-French, United States-Italian, or Dutch friendship.

We are giving to those societies, and those groups, a great deal of material. We are giving them editorial help, and other help, so that they are able to put out publications over their own names. These publications, which are in fact their own publications, carry more weight in a country than some foreign document.

In doing that we believe that we have made a really great step forward in the development of getting information to people in other countries.

There is no trick about this. This is not a front which is put up. We are working with bona fide groups which really share the same point of view we have, and we are assisting them to explain to their own people what the American program is, as well as their views on many things.

I think that gives a fuller answer to you and to Mrs. Kelly than I was able to give yesterday.

Mr. MORAN. That is all, Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Secretary, I thought hearings were to be largely on the foreign aid program, but inasmuch as we have gotten into Korea and Iran, I should like to ask this question:

You said yesterday that our objective in Korea—in line with the resolutions adopted by the United Nations last June—was to repel aggression and restore peace and security in the area, with adequate guaranties that the aggression would not be resumed. My question is: What kind of guaranties is it possible to get that would insure that the aggression would not be resumed?

Secretary ACHESON. Well, I think the greatest guaranty would be the withdrawal of Chinese troops. That would probably involve a phased withdrawal of all foreign troops from Korea.

That might take a little time, because you would have to strengthen the forces of the South Korean Government in order to have them be able to resist anything which occurred.

I think that is the basic element. There is also the important fact which would underlie such a settlement, which would have to be the conviction on the part of the Chinese that they could not succeed in what they had been trying to do, which was to drive the United Nations forces out of Korea, and take over that whole peninsula as a Communist state.

I think there would have to be a realization that if there was a settlement, and if it was disturbed again in Korea, it would be a very dangerous step and would endanger world peace.

That would not be by accident. If it happened again, it would happen as a calculated design. That would have to be fully understood.

If you had those facts and those general policies put into effect, and then began first with a cease fire, and moved on to an armistice, a settlement of the Korean questions, and the phased withdrawal of troops—

Mr. JUDD. What did you say?

Secretary ACHESON. A phased withdrawal. Everybody would not withdraw at once.

Mr. JUDD. Step by step?

Secretary ACHESON. Yes, forces would be reduced as Korea became stabilized and stronger.

Mr. JUDD. I do not see how that would give any guaranty that it would not be resumed. It might be making it easier to resume.

They would withdraw across the Yalu River and we would withdraw across the Pacific Ocean. I am sure the Secretary is aware, as is everybody else, that it is conceivable that one objective behind this maneuver by the Soviet Union is to get themselves out of a position where they are not strong enough to win, in order to maneuver around to some other position where they would be relatively stronger and closer and we would be weaker and farther away, and thereby improve their chances of achieving their objective instead of reducing them.

Would you care to comment on that?

Secretary ACHESON. I would say, Dr. Judd, of course it is impossible to get a guaranty in the sense that you have complete assurance that the aggression cannot and will not be resumed.

It is not possible in this fallible world, particularly when you cannot rely upon the word of the people with whom you are dealing.

If you have an arrangement in which the self-interest of the people with whom you are dealing is deeply involved, there is a greater degree of assurance on your part that what has been done will be maintained.

I do not think that you are quite right in saying that they would withdraw across the Yalu River and we would withdraw across the Pacific Ocean.

I would think there would be considerable withdrawal to Japan, and that is not far away.

Mr. JUDD. We are getting a peace treaty with Japan where we will not maintain forces in Japan in anything like the strength we have had in the past, is that not correct?

Secretary ACHESON. No; I do not think that is correct. I do not think anything has been said about the size of the forces at all.

I think Mr. Dulles has pointed that out in connection with the Japanese Peace Treaty, that we would have an arrangement with Japan ourselves, arrangements also with other countries in the Pacific of a security nature.

But if the self-interest of the Soviet Union and the Chinese is involved in not resuming this particular hostility because of the consequences which it may produce, then you have greater assurance that it will not be resumed.

Mr. JUDD. What are those consequences that it might produce?

Secretary ACHESON. That the conflict might be general.

Mr. JUDD. If they resumed the conflict, it would be a reasonable expectation that they would be extending the conflict as well as resuming it?

Secretary ACHESON. It would be a serious thing, and I think it would be recognized by everyone.

Mr. JUDD. How much consideration do you give to the thought that they may be trying to get out of a bad situation in Korea in order to start a more effective and vigorous operation in Indochina or Burma for example, where actually they could do us more damage than they could in Korea?

Secretary ACHESON. Those all are possibilities which have to be weighed, Dr. Judd.

Mr. JUDD. You said yesterday that time was on our side. Well, obviously the Russians seem to think it is on their side, because all their maneuvering ever since VJ-day has been to produce delay—for instance, at numerous conferences.

They have just finished one in Paris where months were consumed in gaining them time. I do not know whether they are more accurate and realistic in their estimates than we are. I hope we are, but their record for realism is better than ours.

I am not sure that time necessarily is on our side in a situation like that in the Far East. I think you will agree that, as was said yesterday, they would not have come into Korea if they had not expected they could get a quick victory and that we and the free world would not fight back.

Now that we have fought back, they may think that they have gained all they can from that operation and it would be better to pick off Burma. By splitting India from the rest of southeast Asia, they would neutralize both of them, especially when they are also able to create trouble in Iran on the west of India.

Secretary ACHESON. Those are all dangers that have to be considered in matters of this sort. And in this particular age in which we live we do not have choices between something that is highly desirable and something that is undesirable. We have choices between undesirables, and we have to pick out the less undesirables.

With all the dangers you have mentioned, they are still less, I think, than continuing a fight which is getting hotter and hotter, and which itself may very shortly spread——

Mr. JUDD. And which is very possibly hurting us worse than it is the Chinese, although the general assumption is quite the opposite. I shall not argue that.

May I ask this question: You said on page 11 of your presentation yesterday:

We feel that progress has been made toward dealing with these problems—
talking about the European situation—
but even larger effort is necessary.

This bill is certainly larger than anything we have had previously. Can you give us any estimate of how much larger an effort is necessary? Are you referring just to this particular bill, or do you have something more in mind beyond this fiscal year?

Secretary ACHESON. May I find that?

Mr. JUDD. In the next to the last paragraph on page 11, "even larger effort is necessary." Well, this bill is about three times as big as any that we have had for this purpose. That is a considerable increase.

I am concerned to find out if you have any ideas as to a target amount and target date for the effort—how much larger, how much longer. Those are my questions.

Secretary ACHESON. I cannot seem to locate the quotation.

Mr. JUDD. The next to the last paragraph.

Secretary ACHESON (reading):

We are encouraged by the significant increases—

Mr. JUDD. Yes; third sentence.

Secretary ACHESON (reading):

We feel that progress has been made toward dealing with these problems, but even larger effort is necessary?

Mr. JUDD. Yes.

Secretary ACHESON. What I was dealing with in that paragraph, Mr. Judd, is the total effort which the entire group of nations is putting forward.

We point out:

We are encouraged by the significant increases which our European partners have made in their military budgets over the past year. We understand and appreciate the problems created for our partners by the impact on their economies of great increases in defense expenditures. We feel that progress has been made toward dealing with these problems, but even larger effort is necessary.

What I was talking about in that particular paragraph was not this bill, or any future bills, but the degree of effort which the whole group of countries cooperating must put forward in order to accomplish the NATO plans.

It is our judgment, which we would like to go into more with you in executive session, that it will take at least efforts as far as the United States is concerned in its relations with its allies comparable to those described in this bill, in 1953 and 1954, to accomplish the agreed plan.

We think that our allies in the plans which they are making and which we are working out with them, will be required to make a very considerably greater effort than is now being made.

The effort which is now being made constitutes a very great increase over what was being made in 1949 and 1950. In other words, I think they have doubled their efforts since 1949. It may have to be doubled, and a little more again, in order to make their achievement in the defense plan.

Mr. JUDD. Do I understand that we can assume bills for fiscal 1953 and 1954 will come forward of approximately the same size as this bill?

Secretary ACHESON. That I think is—

Mr. JUDD. That is 8.5 billion for this fiscal year, and something of that general order of magnitude for the fiscal years 1953 and 1954?

Secretary ACHESON. I think that is the probability.

Mr. JUDD. Then the program under the present expectations would run to, say, a total of \$25 billion. With the four or five that have been put in, the total would probably be approximately \$30 billion.

When we considered the Marshall plan, we talked in terms of \$17 billion over a period of 4 years. This is apparently \$30 billion over 5 years, because it has already had 2 years of operation, is that correct?

I think the American people and the Congress ought to have some idea as to what you have in mind and what they have to look forward to.

Secretary ACHESON. I do not happen to have the figures with me. We will go into that in very considerable detail. What I have said is essentially correct, that what would be required, as far as we can see at the present time, in 1953 and 1954 will be of the magnitude which is required in this bill, that is, if we are to achieve our common objectives.

Mr. JUDD. Mr. Chairman, I have some other questions, but inasmuch as the House is going into session early, I feel I should discontinue to give time to other Members. Thank you.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Thank you, Mr. Chairman.

Mr. Secretary, I have one question on Iran. But if you would rather have it dealt with in executive session, it is perfectly agreeable with me.

What I was wondering about is an article that appeared in the paper the other day indicating shipments of certain military equipment to Iran from the United States.

I am aware from a visit to Iran last fall, and from the newspapers, that it is an explosive situation over there.

I am aware that Ambassador Grady is on the job and doing a good job.

I know we have to do everything possible to help settle that situation in the interest of world peace. I am just wondering what our objective is in sending help, including military aid, over there and what we are trying to do in Iran at the present time.

Secretary ACHESON. Mr. Battle, I think in looking at the provisions which are made for Iran, as well as other countries, many other countries, in this bill, we must look at the long-range objective which we have in mind, and not the fluctuations from day to day of particular policies.

I think it is understood throughout this bill that conditions may develop in any of the countries which we are assisting which will make it impossible to carry out the provisions of the legislation that has been in the mind of Congress, and indeed, it is the great purpose of the

legislation to prevent those conditions from arising. Perhaps they may despite all our efforts.

Therefore, we consider the program in Iran apart from this particular crisis, knowing that this crisis may develop in such a way as to frustrate our efforts.

But the purpose of the program in Iran is to help that country in several ways. The principal purpose of helping it is to try and build up the independence of Iran from Soviet pressure and domination.

Iran is a country which is on the borders of the Soviet Union. It is a country which has a great many material prizes in it. It is a country which historically has not had a very strong government. It is a country where the people, the masses of the people, have been depressed, although it was seemingly within the possibilities of the riches of the country to develop them in such a way that everybody's standard of living would be raised.

That is the problem we have to deal with. So we have economic and technical programs here which are designed to improve the agriculture of Iran. We have a program now of work in 700 villages in Iran, to introduce the simplest things, from our point of view, but quite revolutionary from theirs, with regard to sanitation problems and others which will mean a complete change in the life of the village.

So far as the military program is concerned, the effort is to build such military forces as will maintain internal security, which is very important, because one of the great dangers is that there will be subversion of the government through the Tudeh Party, which is the Communist Party in Iran.

Iran probably cannot be put into a military position so that it itself could withstand an attack from its very powerful neighbor. But it could be put in a position where it could delay such an attack, and perhaps get itself to the point so that help would be effective.

That is the broad plan. All of that may be upset if this present controversy leads to the complete disintegration of the economy and government of the country.

We must act on the assumption that people will get over these emotional attitudes which they take, and will act upon their fundamental self-interest, because the fundamental self-interest of Iran, as well as of the British, is tied in this thing.

If the Iranians would approach the British offers with more of an open mind, I think the difficulties could be solved.

Mr. BATTLE. Thank you, Mr. Secretary.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. Just going a little further on Iran, Mr. Secretary, the bilateral agreement was entered on May 30, 1950, as part of the mutual-defense program. But the great quantities of the equipment have only been moving in 1951. We are supplying guns, tanks, trucks, and things of that sort, to Iran.

If the situation—

Secretary ACHESON. I am sorry. I cannot hear you.

Mr. FULTON. The cruiser *Mauritius* moved into the port of Abadan just recently. I wondered what would be the effect of continuing with the shipping in of such things as tanks, guns, and that sort of thing, with the situation boiling up as it is.

Has there been any position taken previously to cut mutual-defense equipment off, or is it intended to be cut off?

Secretary ACHESON. No, there has been no decision taken to cut it off. I do not think it would be in the public interest for me to speculate as to what might happen.

I think all we can say at the present time is that we cannot exaggerate the critical nature of the situation. You cannot exaggerate the vast importance of solving this crisis, because Iran is a most important country, as far as the free world is concerned.

Therefore, we are bending every effort to bring about, as far as we can help in doing it, a favorable solution and not a disintegration.

Mr. FULTON. As you know, there was an act of intervention in Korea by the Executive without coming to Congress first.

Can you assure the Congress and the American people that there will be no act of intervention in Iran prior to obtaining the consent of Congress by the United States Government?

Mr. ROOSEVELT. Will the gentleman yield? Mr. Chairman, I feel very strongly that some of the subjects being brought up here are subjects that should be considered in executive session.

Mr. FULTON. If the Secretary feels that way—

Mr. ROOSEVELT. I do not think it should be left entirely up to the Secretary. Perhaps it puts him in an embarrassing position to answer.

I would, if necessary, move that Iran and its present crisis be removed from discussions in open hearings at this time.

Mr. FULTON. May I comment there?

Chairman RICHARDS. Wait a minute.

Mr. FULTON. If there is any answer that the Secretary decides should not be given, I will be glad not to have the question answered.

Chairman RICHARDS. I would suggest, Mr. Secretary, that it is probably in the discretion of the chairman of the committee as to what testimony would be relevant.

In the field of security and foreign relations I would rather the Secretary himself determine whether the answer should be given in an open or executive session.

At this point I would like to ask the Secretary, does he object to that field of questioning for security reasons?

Mr. FULTON. That is my last question, by the way.

Secretary ACHESON. I think it would be much better, Mr. Chairman, if we discussed some of these matters which are questions of day-to-day development and operation in executive session, because, although I am willing to reply as fully as I can to Mr. Fulton, I must inevitably be somewhat vague about such matters.

He has asked me a question here, however, which I think I should not leave unanswered on the public record.

He has asked me if there is any intention of the United States intervening in Iran without coming to the Congress.

Chairman RICHARDS. I agree with that. I will sustain the point that was made.

Mr. Secretary, how about answering this question of Malik and Korea?

Mr. JUDD. I believe, Mr. Chairman, the Secretary was starting to make an answer on Iran.

Chairman RICHARDS. I beg your pardon.

Secretary ACHESON. What I was wishing to say, Mr. Chairman, is that there is no thought of the United States intervening in Iran either with or without congressional action. That is not part of our contemplated action.

I do not want to appear to indicate in a public record, by any failure of mine to answer Mr. Fulton, that we are thinking of doing something that we are not thinking of doing.

Mr. FULTON. I am very glad that the Secretary has made that clear on the record. I think it is an important part of our foreign policy on which the Congress should be informed.

Secretary ACHESON. I would also like to suggest that perhaps if the committee wishes to go more fully into the Iranian situation as it is developing from day to day, if they wish me to speculate about what the Soviet Government's intentions may be in regard to Mr. Malik's speech, I would prefer to do both of those in an executive session.

Chairman RICHARDS. I think that is a good path to follow and I want to request all members of the committee to confine their questions to the bill. Inevitably, on some questions you may say security is involved. The chairman does not want to place anybody in a strait-jacket but, of course, every member of the committee understands that situation.

Did the gentleman have any more questions?

Mr. FULTON. Yes. May I just finish my comments on Iran? Of course, if the United States is now sending equipment into Iran under this program I think that is a point of public interest, and if we are not intending to intervene I think the public should know that.

Chairman RICHARDS. Will the gentleman talk a little closer to the microphone, please?

Mr. FULTON. I would like to move to Europe and ask you whether you think the Eisenhower mission on the NATO program, and what has been developed to date, is successful?

Secretary ACHESON. Yes, Mr. Fulton. I think General Eisenhower's mission and his setting up of his command structure has been very successful. I think it has only brought us to the threshold of the great developments which must take place, but I think he is laying a very strong and sensible and firm foundation for those developments. We are happy to see some of the things which are at the very bedrock of military development taking place, for example, the lengthening of the periods of service, which has been done in the various countries—

Mr. FULTON. May I interrupt? Do you think the European countries have been cooperating sufficiently with Eisenhower and the NATO organization to date, then?

Secretary ACHESON. I should not say sufficiently. I think they have been cooperating with General Eisenhower. I think it really never would come to a point where you would say it is sufficient, because they must always be pressing forward to do more. There are some things which General Eisenhower wishes to achieve on which not much progress has been made, and there we are continually trying to help him by pushing and prodding to get those things done. But in other cases very good progress has been made, and I think it is encouraging.

Mr. FULTON. I was going to ask you that. You think on the whole, then, progress and the cooperation of the European countries have been encouraging to date in the NATO program?

Secretary ACHESON. Yes, I do, Mr. Fulton.

Mr. FULTON. Now, on the question of World War II reparations that there might be among the various nations. For example, the Philippine Government is asking \$8,000,000,000 of Japan by way of reparations, with the American taxpayers making up the deficit of Japan's imbalance. If that reparations claim is made valid it will mean the American taxpayers are actually standing the bill for making up that Japanese deficit.

Is there any intention in the Department's position on this new legislation to try to integrate the present reparations questions with the Mutual Defense Assistance or Mutual Security Program?

Secretary ACHESON. As you know, the United States authorities have taken a very firm position with regard to the Japanese Peace Treaty against monetary reparation, and pointed out the very factors which you mentioned this morning. I do not think it is necessary to try—I do not know how to integrate it unless you say, "We won't give you military assistance if you press your claims for reparations"; and that is not a wise way of going at it.

Mr. FULTON. Do you think it should be a factor in the discussions with these countries, that is, the amount of aid you might be giving to the particular country that we are going to help defend itself? Of course, we have to look at Japan and see that its economy is good, so that it defends itself too.

Secretary ACHESON. There are a lot of things you can discuss, but I do not think there ought to be any official or legislative connections.

Mr. FULTON. Between the two?

Secretary ACHESON. Yes.

Mr. FULTON. So you would exclude those reparations claims from this bill for our consideration?

Secretary ACHESON. Yes.

Mr. FULTON. Then on the matter of Korea and the thirty-eighth parallel. If we settle at the thirty-eighth parallel we are accepting what was just a military commander's decision on the method of taking over Korea from the Chinese troops. The thirty-eighth parallel was not a division of the country originally, as I believe, but was merely the method arrived at between the military commanders on a strategic level for taking over the adverse forces in the area.

Why then settle on the thirty-eighth parallel as a method of dividing Korea? Why not take the waist of Korea, which is the shortest line and the best held militarily, and try to work something out from that? We might have to look ahead to see that South Korea will be sufficient to stand against aggression and maybe you ought to have the best line of defense rather than an arbitrary thirty-eighth parallel that cuts off the Onjin Peninsula from the rest of South Korea?

Secretary ACHESON. This gets into the area that I think I would rather discuss in executive session, if you do not mind.

Mr. FULTON. That is my last question.

Chairman RICHARDS. Mr. Zablocki.

Mr. ZABLOCKI. Thank you, Mr. Chairman. I have no questions at this time.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Chairman, I do not know how much longer you want to prolong this hearing. I heard a roll call in the House.

Chairman RICHARDS. I understand a no-quorum bell sounded.

Suppose we go ahead for 20 or 30 minutes, and if you do not complete your questions you may continue at the next meeting.

Mr. HERTER. I would like very much to get one thing clear in my own mind. With regard to the military end items which we discussed briefly yesterday, as I understand our problem in this country, there is being worked out at the highest levels a program of production which it is assumed by Mr. Wilson and the other people who are working on the production end, is the maximum production that this country is capable of, granting the general over-all economic situation and the raw materials situation, and the controls situation, and so on.

This program here that is before us adds dollars to a production program without necessarily adding any goods, as I see it. The question this year is how much goods can come off our production lines, and where are they going to be distributed. In other words, a \$60,-000,000,000 program, that is, the military program next year, I assume is the maximum our production experts feel they are competent to squeeze out of our economy in a given year. What this bill provides for is additional dollars over and on top of that, which is merely a measure of what can come out of our production, it seems to me, rather than any production that could come off our lines.

I would like to get clear as to whether you feel that the dollars here represent additional production from the United States, or whether they are merely a measure of the total production which will be assigned to the European countries?

Secretary ACHESON. Mr. Herter, that is a very intricate matter which you are questioning me about, and it is one which has been the subject of a great deal of study in the Defense Department, with the ECA, the Treasury, and with the Bureau of the Budget, and with the State Department.

The very question which you asked was one which interested all of us, and we were very anxious to find out whether we were doing anything except fooling with words or figures here, or whether we were producing additional equipment.

The answer, I believe, is that we are producing additional matériel by this action here. I think General Scott can go into that in very considerable detail with you, and show you exactly why that is true and how that is true. I can't. I have looked at the conclusions and I have great confidence in those who reach those conclusions. We have worked them out with the Defense Department, particularly with Mr. Lovett, who is a person who is very knowledgeable on these matters, and I am convinced that the conclusions reached are right, but I am not able to prove it to you. I am sure General Scott can and will.

Mr. HERTER. I was raising that question at this time merely because I wanted to find out from you whether you think that is a profitable line for us to pursue to satisfy ourselves that more money is actually going to produce more goods, or whether this is merely a percentage measure of the total goods which will be produced anyway and allocated for Europe or the other areas of the world.

Secretary ACHESON. It is a very pertinent question indeed, and I think it is well worth asking and well worth pursuing. I know it can be answered to your satisfaction, and I think it should be. You have gone to the heart of this whole question.

Mr. HERTER. There is one other comment I would like to make which you may wish to comment on. I was privileged to be one of the members of this committee who went abroad recently to try to gather more information with regard to the whole program. There seemed to be unanimity among the higher persons abroad on one thing, and that was the great inadequacy of the information services. There is a general discontent. I think that went all the way along the line.

In connection with that also there was a considerable amount of discussion in regard to the declassifying of a great deal of classified material. Much of that classified material has leaked out bit by bit in a lot of undesirable ways, and not in an orderly way at all.

We ran up against a tremendous amount of classified material that in a sense hampers us in our discussions of our problems with our colleagues here, and others. I am hoping very much the whole question of what can be declassified can be given very much more serious attention than it has been in the past. I think it might be desirable for us to turn over the record that was taken overseas and has now just been made available to us as it was directly brought back here, which I think would point that up very strongly.

I think the Department ought to go over it extremely carefully and see if some of the policies with regard to classification cannot be revised. If the program is going to become a reality, it strikes me as one that ought to be clearly understood both in this country and abroad. To date it seems to me a great deal of the material is over-classified, and there is a lot that can be given to the American public. I merely raised that as a comment in connection with the whole program.

Secretary ACHESON. I have already taken that matter up, Mr. Herter. The chairman very kindly made available to me the material which was reproduced and which the committee collected in Europe, and I was very much struck with exactly what you mentioned, and I have already asked that that matter be looked into to see what we can do to improve that situation.

Chairman RICHARDS. Mr. Secretary, we have to go to the floor now. Can you come back here tomorrow and finish your testimony tomorrow morning?

Secretary ACHESON. Yes, sir. I shall be delighted to respond to any request of the committee. I will be here tomorrow at 10 o'clock, if you wish.

Chairman RICHARDS. If you can arrange your program so as to be here in the morning at 10 o'clock, we will appreciate it.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11:15 a. m. the committee adjourned until 10 a. m. the following day, Thursday, June 28, 1951.)

(The following was submitted for the record:)

STATEMENT SUBMITTED BY SECRETARY OF STATE DEAN ACHESON ON USIE COVERAGE OF FOREIGN AID PROGRAMS, IN FURTHER RESPONSE TO A QUESTION BY REPRESENTATIVE KELLY

Ever since the North Atlantic Treaty Organization came into existence, the Department of State has used every means of disposal to keep the world informed of the progress being made and the extent of American aid.

The story of American economic and military aid to foreign countries has been one of the dominant continuing themes of the Voice of America. In fact, the proceedings before this committee yesterday constituted the lead item for the Voice news programs this morning. Every phase of the various assistance programs has been reported fully in broadcasts to all major areas of the world. The story has been told in all of VOA's language services, which now total 45. In reporting developments under the aid programs VOA has utilized numerous radio devices, including news, commentaries, economic surveys, interviews, documentaries, and special events. The departure and arrival of significant shipments of arms and material have been covered, for example, by on-the-spot reportage. The details of American assistance have been broadcast not only to recipient countries but also to nations behind the iron curtain. In the free areas many of the VOA programs have been relayed locally over the domestic facilities and in the indigenous languages of the nations concerned, e. g. France, Italy, Germany, Greece, Turkey, Portugal, etc.

In addition, the Embassy information staffs have been busy since the day the North Atlantic Treaty was signed publicizing it in many ways. The signing ceremony itself was shown as a documentary film by the USIE officers abroad within a few days after it took place. Pictures of shipments sent from the United States to various NATO countries have also served as the basis for a number of films which have been shown to a great many people in Europe.

For example, in Italy, let me cite a few of the steps which were taken by USIE since much the same pattern is followed in other countries. The Italian language versions of the USIE news bulletin which has wide distribution throughout the country consistently carries stories about the NATO stressing the fact that mutual security is the best insurance against aggression. During the first part of April the nine USIE offices in Italy and USIE film trucks traveling in all parts of the country showed the documentary film, Atlantic Pact. All USIE offices prominently displayed photo exhibits linking the delivery of three American war vessels to the Italian Navy with the measures being taken for the common defense. Italian reporters, radio commentators, and photographers were permitted to cover the ceremony and this resulted in much favorable publicity. One popular commentator's on-the-spot description and his account later in the evening were carried by 43 radio stations throughout Italy, and within a few days one newsreel company released a film which approximately 9 million Italians will see in their theaters during the next few months. Another documentary film made by the USIE office in Rome was placed on eight film trucks and shown in the rural areas and remote sections of Italy. Another technique used was to place copies of a photo poster of the warship transfer in 3,000 Italian post offices and in other locations in many Italian cities.

Just as the warship ceremony was set up in Italy, so also are other special events arranged in all NATO countries to attract local radio and press coverage. Tips are given to newsmen and material is fed out enabling the local stations to carry many programs about the Mutual Defense Pact. Although these programs do not carry an American label, they are nonetheless due to the efforts of our public affairs officers.

There are many other similar examples from other nations. For instance, The Hague USIE Office has for some time prepared a script describing American contributions to mutual defense for use on an official Dutch information service radio program called Searchlight on Western Defense. A trip arranged by USIE for Dutch journalists to inspect European troops of NATO resulted in 35 articles appearing in 18 Dutch newspapers with their combined circulation of over 1 million. And a Portugal USIE office recently opened a pavilion at the 1950 Lisbon popular fair. Communist aggression and expansion, the danger of threatening democracy in Western Europe and the greater potential strength of the NATO countries compared with the USSR and its satellites is shown to spectators through the displays and in a Portuguese pamphlet which is handed out. Within 2 days, more than 100,000 persons had already seen the displays and it is expected close to a million will visit the pavilion by October.



THE MUTUAL SECURITY PROGRAM

THURSDAY, JUNE 28, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the Ways and Means Committee room, New House Office Building, at 10:12 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we are continuing the hearings on the so-called Mutual Security Program. The witness again today is the Secretary of State.

I believe that yesterday when we discontinued questioning, Mr. Herter, the gentleman from Massachusetts, was asking the Secretary a few questions. If he wants to continue that line of questioning, we will start with Mr. Herter today.

Before going into that, I would like to say, Mr. Secretary, that on account of the nature of this bill and the wide scope of the activities imposed under the program, a lot of the questions range all over the world, and naturally get into security matters that are more or less delicate.

The Chair has no disposition as to any line of questioning. Realizing the situation as I do, I would like to state to the Secretary of State that if he feels that any of these questions require answers that might affect our international relations in a harmful way, if answered publicly, if he will so state that he would rather discuss those questions in executive session, he may do so.

I would like to say to the committee, too, that I promised the Secretary that he would complete his testimony today, and we would complete our questioning in regard to that.

This is his third day here. He has an engagement about midday that he has to keep, and which he made based upon a guaranty that I gave to him that he would be finished by midday.

There will probably be a roll call shortly after 11 o'clock. We want to proceed with the hearings as long as we can today and finish up with the Secretary.

Mr. Herter, do you want to follow up?

Mr. HERTER. No; I think any questions I might have I can reserve for later. I think the Secretary's time is important.

Chairman RICHARDS. Do any of the other members—I am not going down the line—have any questions that they would like to ask of the Secretary? Mrs. Kelly.

Mrs. KELLY. Mr. Secretary, does the Mutual Security Program expenditure of \$8.5 billion include the entire United States commitment for foreign assistance?

I should rephrase that question. Is there any estimate of our commitments to the United Nations Organization?

STATEMENT OF HON. DEAN ACHESON, SECRETARY OF STATE—
Continued

Secretary ACHESON. Mrs. Kelly, I think so far as the contributions, the operating contributions to the United Nations are concerned, they are contained in the State Department Appropriation Act.

In this bill there are several items covering contribution to the United Nations efforts of a substantive nature.

One relates to the Palestine refugee contribution, which is in the bill. Another is for Korean reconstruction. Those are substantial items.

Point IV through the UN is in this bill, also. Those three items are in.

The contributions to the running of the UN organization, as such, are in the State Department appropriation bill.

Mrs. KELLY. Thank you, Mr. Secretary.

Secretary ACHESON. There is one other important item of United States assistance abroad, which is not in either of those bills. That is in connection with Japan. The Japanese effort is being handled through the Defense Department appropriations.

Mrs. KELLY. There is one other question, Mr. Secretary. In my own mind I question giving greater aid or assistance to the Yugoslav Government unless they grant further basic freedoms to their people.

Do you care to comment on that?

Secretary ACHESON. I would like to talk to the committee about the Yugoslav situation in executive session, if I might do that.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Mr. Secretary, I think there has been a great deal of confusion relative to the Palestine refugee situation, due largely to the fact that no mention is made of the fact in the name that the question is one of Arab refugees who have been expatriated since the partition of Palestine.

I call attention to this to make it clear that what you were referring to was the nearly million Arabs that are out in the desert; that United Nations help is what is in jeopardy at the moment.

Secretary ACHESON. That is correct, Mrs. Bolton.

Chairman RICHARDS. Is there anyone on this side who wishes to ask a question? Mr. Ribicoff.

Mr. RIBICOFF. Mr. Secretary, it seems to me that on the questions of Iran and Korea there has been quite a bit of confusion due to the misunderstanding of various phases of the operation of foreign policy.

There is confusion between policy and negotiation, and they get blurred in the public's mind. Would you care to comment on the difference between policy and negotiation, and what part they play in formulating the over-all policy?

You do not have to comment if you do not care to, but I think it gives an opportunity to clear up much of this confusion.

Secretary ACHESON. I am glad you asked that, Mr. Ribicoff. I had the same experience also in testifying at the other end of the Capitol on this same question.

There did seem to be in the minds of some of my hearers the idea that if you negotiated with somebody about a point, you were automatically given up your own position. That, of course, is not true.

In negotiations what you do is to state your own position as strongly and persuasively as possible, and stick to it and try to get it adopted.

The other side does the same thing. It may in many negotiations be possible to work out a compromise, or a meeting of the minds in some way. In other negotiations that often is not possible, so that negotiation does not produce the result you are hoping for in many cases.

But what we try to stress all the time is that our fundamental policy, and our fundamental duty under the United Nations Charter, is to settle international questions by peaceful negotiation.

The whole idea of the Charter is that settling questions by force is not the way, and that is not the way in the future we want to settle questions. Therefore, wherever we can, we do sit around the table, discuss, argue, and try to settle by negotiation.

That does not mean we abandon our position or give up positions which we believe to be vital to the security of the United States.

Mr. RIBICOFF. The process of negotiation, to be effective, often has to take place in so-called secret, where every word and syllable is not on television, or on the radio or in the press, but at the same time it has nothing to do with giving up your basic policy which has been announced by the Nation, concurred in by the Congress and the people in accordance with the democratic process. Is that correct?

Secretary ACHESON. That is quite correct, Mr. Ribicoff.

Mr. RIBICOFF. Thank you, Mr. Secretary.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Secretary, in view of the current possibility of discussions with respect to a cease-fire in Korea, would you care to restate for us, and for the country, the position of the United States on two major questions—the admission of the Chinese Communists to the United Nations Security Council, and the disposition of Formosa?

Secretary ACHESON. Yes, sir. I had the opportunity to state those before the joint Senate committees; I shall be glad to state them again.

So far as the admission of the Chinese Communists into the UN is concerned, we have steadfastly taken the position that those who claim to represent a nation in the UN should not be permitted to shoot their way into that organization.

Therefore, since the Chinese Communists have defied the UN, have opposed the UN forces militarily, have taken part in the aggression in Korea, we do not believe they should be admitted as the representatives of China in the United Nations.

I pointed out to the joint Senate committees that we have taken that position. At the time I testified I think there had been 76 votes in UN organs and agencies on this matter. Since then I believe there have been 3 more, so there have been either 79 or 80 votes on this question.

In all except one vote the vote went against the admission of the Chinese Communists to any one of the 34 or so agencies connected with the United Nations; and in the one case where the vote went the other way, it was later reversed. So at the present time the National Government of China represents the nation of China in all of the agencies of the UN.

In regard to Formosa, the President's declaration of policy of the 27th of June 1950 stands as the Government's policy in regard to Formosa, that is, we recognize the Government of China, the National Government of China, which is in authority in Formosa.

We have interposed the Seventh Fleet between Formosa and any attack from the mainland, and we have said that no attacks on the mainland should be undertaken from Formosa, the idea being that the Formosan question should not be settled by force.

If anyone attempts to settle it by force, we will interpose our own force.

Mr. JAVITS. That we are sure is how it should not be settled?

Secretary ACHESON. We proposed to the last session of the General Assembly that the Assembly should discuss the question with all the interests connected with Formosa, and that the United Nations should come to a conclusion about it.

After the Chinese intervened in Korea, the political committee of the General Assembly decided to adjourn debate sine die on the Formosa question.

Mr. JAVITS. Assuming that the Korean situation resulted in a cease-fire, are we still of the same mind with respect to having the Formosan question settled by the United Nations?

Secretary ACHESON. We are still of the state of mind that it should be settled by peaceful discussion; it should not be settled by force.

The President has said that there are two ways in which the peaceful discussion could take place. One is the Japanese Peace Treaty, and the other is the United Nations. If it has to do with the Japanese Peace Treaty, that merely delays the peace treaty with Japan, and therefore, the ultimate solution of it would have to be by negotiation, either in the United Nations or in some other form.

But, of course, that involves a negotiation in which you do have a meeting of minds between the authorities on Formosa, the Formosan people and anyone else who is directly interested in the settlement. It does not mean we give up our position, that Formosa should not be forcefully put under a regime that it does not wish to submit to.

Mr. JAVITS. Do you not think, Mr. Secretary, it would be well for us to emphasize to the Formosan people their part in the decision, and how we think it should be obtained, either by plebiscite or some other form, to make it clear?

Secretary ACHESON. We have tried to do that, Mr. Javits. I brought that out in my speech last December at the UN.

Mr. JAVITS. Would the Secretary care to say anything about whether we would use the veto to keep the Communist Chinese out of the UN?

Secretary ACHESON. I spoke about that at considerable length before the Senate committees. What I pointed out before the committees is what I have just said in answer to your question, that in order to maintain a position in the United Nations we are dealing with between 35 and 40 agencies or organs or institutions of the UN, in all of which the question of who shall represent a country is dependent on some sort of majority vote. In some cases it is a simple majority, some two-thirds, with the exception of the one organ, the Security Council of the United Nations.

In the case of the Security Council there is a disputed question. It can be argued that there must be a vote in which all the permanent members concur in order to change the seating of some representative.

On the other hand, there are arguments which can be put forward that this is not a question which requires a majority of all of the permanent members.

Therefore, when you are approaching the question of the Chinese Communists in the UN system, you have to realize in order to carry your position you must have a strong and persuasive position which will carry a majority with it.

Sometimes it is a two-thirds majority in a great many of the organs of the UN. One cannot concentrate one's mind on one organ in which the veto will apply. What it means is that if one permanent member votes against it, then the resolution does not carry.

So, you must attempt to maintain a position which persuades and brings along with you the great majority of the members of the UN. That is what we have succeeded in doing. That is what we must continue to try to do.

If you got to the position where the veto became an important question, and if in the Security Council you were in a minority of four or less, that would probably mean that you were in a great minority in the other organs of the UN, and that you would lose in that situation.

If, however, the battle were continued in the Security Council, the question would then arise, and we would continue to vote as we have voted, whether our vote constituted a defeat of the resolution or not, then the only way in which there could be an authoritative decision on that matter would be through the World Court.

Because if you were a minority of four on the question of whether the Chinese Communists should be admitted, you would probably be in a minority of four or less as to whether your vote constituted a bloc.

Therefore, if, as and when it appeared that this was going to be a relative question, we would do our best to get that taken to the World Court and have the World Court decide the question.

Mr. JAVITS. Mr. Secretary, I have just one other question. I happen to feel that one of the greatest dangers to be faced right now is a slackening of our defense mobilization efforts because of this current talk about the possibility of a cease fire. Would the Secretary care to say anything about what he thinks on that subject, as to whether there is any justification for the slackening, and if not, why not?

Secretary ACHESON. I should be very glad indeed to respond to that question, Mr. Javits, and say just as vigorously as I possibly can say that there should be no slackening whatever. If anything, there should be an increase of our defense efforts. If a truce is brought about in Korea it does not lessen the need for this great effort which we have been making on our own part, and have been making with our allies, and which our allies have been making. The need continues to just as great a degree as it ever did—if anything, to a greater degree. Because if the danger of the spreading of the war which has grown out of the Korean effort, is postponed or stopped, then there is nevertheless the vast need of building our defense forces to the point where the outbreak of similar aggressions in other parts of the world, or the temptation to engage in general hostilities, becomes most unattractive. If and when we reach that point, then I believe the understanding I was talking about with Mr. Ribicoff becomes possible, and that then some of the underlying questions here which

cause the great tensions of the world may reach a point where they can be discussed and settled by negotiation. But I believe that that cannot be done as long as there is a great disparity in power which makes negotiation seem to be unnecessary to one side, which causes them to believe they can accomplish their purposes without it. Such a situation means a continuing danger to the United States, and we must make a continuous effort to step up our preparations.

Mr. JAVITS. So you think parity of power is an essential prerequisite to the negotiation of the fundamental differences between us and the Soviet Union, which negotiations would have a chance for success with honor and justice?

Secretary ACHESON. That is what I believe; yes.

Mr. JAVITS. Thank you. Thank you, Mr. Chairman.

Chairman RICHARDS. I would like to ask the members of the committee for the benefit of the reporter to speak a little closer in the microphone.

Does anybody on this side want to ask any questions?

Mr. SMITH. Yes, sir, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Mr. Secretary, what is going to be our policy so far as the prosecution of the Korean aggressors is concerned?

Secretary ACHESON. I find that difficult to answer, Mr. Smith. You mean, are we contemplating war trials?

Mr. SMITH. Yes. I am afraid we have set a precedent at Nuremberg, and I am wondering if we are going to follow the same practice in Korea.

Secretary ACHESON. I know of no plan to do that, although, of course, insofar as people are violating the rules of war, that is another question.

Mr. SMITH. Now, I think the American people are somewhat concerned about what has transpired in the past in the matter of the destruction of property from war damage. We have bombed the daylight out of various areas in the world, and now we asked the American taxpayers to rehabilitate and restore these same areas. This does not make sense.

As I read the bill before us, we are going to start a rehabilitation in Korea. I am wondering, is that going to be a continuing policy of ours? Must the taxpayers of this country bear this burden all over the world?

Secretary ACHESON. I think our policy in Korea, Mr. Smith, is that it is a United Nations obligation undertaken by the United Nations to do all that they can to rehabilitate Korea. This is a great joint effort in which all the nations have joined. We believe that if we can bring about peace in Korea and can reestablish the Korean economy and the Korean people as a great demonstration of democratic life and freedom in Asia, we will have done a great thing for the development of our whole position in the world. I do not think that establishes any precedent for any future actions, and I hope there won't be such a necessity for precedents.

Mr. SMITH. Of course, so far as the American taxpayer is concerned, he picks up the check. He is the goat in the New Deal foreign policy which has once more taken us from peace to war.

Secretary ACHESON. In this particular case we have very substantial help from the other nations of the world. I think they have done very well in this regard.

Mr. SMITH. Thank you.

Mr. MANSFIELD. Mr. Chairman.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. Mr. Secretary, apropos of the question raised by the gentleman from Wisconsin, is it not true that the peoples of the world do not want to be liberated in the sense that they were liberated during the Second World War, and in the sense that they are being liberated in Korea—in South Korea—today?

Furthermore, is not one of the main tenets behind the Mutual Defense Assistance Program, which covers the greater portion of the bill now before us, the idea of helping to create a position of strength on the part of our allies in Western Europe who comprise the membership of the North Atlantic Treaty Organization and allied groups, so that the possibility of a liberation which will entail great destruction is thereby curtailed considerably, and because of the defensive position of strength assumed by those countries and ourselves we will be able to forestall such a happening in the future? Is that correct?

Secretary ACHESON. That is correct, sir.

Mr. MANSFIELD. The idea is to keep these people, in so far as collectively we are able to do so, from once again being liberated at a price of great destruction, and in the meantime creating a position of strength which will enable them to stand up against communism in that part of the world?

Secretary ACHESON. That is true. Yes, sir.

Mr. MANSFIELD. That is all.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. I am interested, Mr. Secretary, in protecting the Chennault company planes at Hong Kong, which a United States court decided belong to the American company and a British court has decided belong to the Communist Chinese Government. I am interested in seeing that those planes are not delivered to the Communist Chinese Government which is now fighting us in Korea.

Can I ask you whether you believe that the delivery of those planes would be within the ban of the United Nations embargo on the delivery of strategic materials?

Secretary ACHESON. I believe it would. Yes, sir.

Mr. FULTON. They would then be within the ban of that embargo, even though this question does not involve what we usually think of as exports? Because, here are articles that belong, according to the British court, to somebody over on the other side, and are simply in custody of the Hong Kong Government. I believe the embargo itself mentioned the export of goods. In a technical sense it might be argued that "export" could be just the delivery of title or sale of goods.

Do you believe then that the word "export" or the term "embargo" could also include what might be alien property—that is what this would be—in the possession of either the British or American Government?

Secretary ACHESON. I am just giving you a very first impression. I have not studied this matter at all. I think so far as our present concern is involved here we are well satisfied with the fact that it can be appealed in the highest courts. There is an injunction against delivery, and there will be no delivery. I will look into this matter and be glad to discuss it with you further.

Mr. FULTON. I want to bring up the point that this is a little different from the ordinary extension of the word "embargo." I feel the United Nations embargo should be extended to alien property which might be within the possession of the United Nations, on the order of our alien property laws.

The other thing was this: So far in the hearings I have not heard mentioned the Latin and South American ----

Secretary ACHESON. I am sorry. I did not hear that.

Mr. FULTON. I have not heard mentioned the Latin and South American angles. Could you give us just a few ideas on how this will establish cooperation with those countries, and how it will assist our defense south of the border in our mutual defense of the hemisphere?

Secretary ACHESON. I did refer to that in my opening statement, Mr. Fulton. I referred to that title in the bill which deals with cooperation with the American republics. Two types of assistance are described. There is military equipment to be transferred on a grant basis to the South American countries in connection with the plans of the Inter-American Defense Board. These plans have been worked out by all the chiefs of staff of all of the American countries, and you will have testimony presented to you here in detail about them. Later testimony will show how the efforts which will result from the increase in the efficiency of the armies of our Latin American neighbors will contribute to the defense of this hemisphere, and will relieve the United States from military tasks which it had to undertake in the last war.

There is also economic assistance of the nature which has been going on between the United States and the other republics of this hemisphere for the past ten years so successfully, and that also is developed in this bill.

Mr. FULTON. Does it involve too the extension and completion of the correlation and standardization of armaments among the republics?

Secretary ACHESON. Yes, sir.

Mr. FULTON. My last question is on Germany. Is any attention being given to the fact that West Germany is now doing a great amount of exporting to the South American countries, and it seems to have the free capacity to do it, while our industrial firms here are having to turn more and more to defense contracts as a matter of patriotic duty?

Has that question been investigated as to the markets, as between the British, ourselves and West Germany, and what is the policy on that?

Secretary ACHESON. I think that that can be dealt with in much greater detail when we come to that portion of the bill. It is true that Germany is recovering its industrial productive power and its exports. That is all to the good, from our point of view, for two reasons: One is that it helps Germany support itself, rather than having Germany a continuing burden on the American Treasury. Also, at this time of shortage it is very important to our South American neighbors that they get materials. If they cannot get them from here, it is essential they get them from some place. All of this has been taken into consideration, and I think we can give you satisfactory information about it.

Mr. FULTON. All right.

Chairman RICHARDS. Mr. Secretary, I would like to ask you a question right here.

Mrs. KELLY. Will the gentleman yield?

Chairman RICHARDS. I yield.

Mrs. KELLY. I would like to bring to the attention of Mr. Javits a report which was printed by the committee or a subcommittee of the Committee on Expenditures in the Executive Departments dealing entirely with the United States relations with international organizations, including a summary of the results of the meetings of the Foreign Ministers of the American Republics. It is a very excellent pamphlet.

Mr. JAVITS. Thank you.

Chairman RICHARDS. Does the gentlewoman want to call that to the attention of the committee? Is that correct?

Mrs. KELLY. Yes.

Chairman RICHARDS. Thank you very much.

Mr. Secretary, the Economic Cooperation Act of 1948, section 114, subsection (c), says this:

In order to carry out the provisions of this title with respect to those participating countries which adhere to the purposes of this title and remain eligible to receive assistance hereunder, such funds shall be available as are hereafter authorized and appropriated to the President from time to time through June 30, 1952.

When that act was passed, it is my understanding that the plan was to terminate economic assistance on June 30, 1952, which is the end of the fiscal year of 1952.

In the Mutual Security Program proposal we have here today, there is no termination date at all for economic assistance. What do you think about putting a termination date in there definitely?

Secretary ACHESON. I think that is a question of judgment which the Congress will, of course, exercise. If the termination date were put in, it would probably be desirable to pick out one which would permit the program which we have in mind to be carried out. There is a good deal to be said in favor of putting such a date in.

One cannot peer into the future with any great accuracy. If one took a date in 1955 that might be a desirable thing to do, with the knowledge that this was something which nobody could guarantee, and that it might very well be necessary to extend the date a little further.

So far as the activities here are concerned—and we are now dealing in the economic field——

Chairman RICHARDS. Yes, sir.

Secretary ACHESON (continuing). There would be several types of work which would be going on. One of these is the strictly Marshall-plan activities. Now, those, I think, with the exception of one or two countries, would be finished by the date mentioned in the original act. The countries which might not be finished include Austria, where there are very special circumstances. Austria's future depends on our getting a satisfactory peace treaty, so that Austria can again be a united and independent country. It cannot be economically self-sufficient when it is divided as it is now and the Soviet Union takes so much out of eastern Austria.

We hoped in 1949 that we had an Austrian treaty which would be completed with one more meeting of the Foreign Ministers, but all our efforts to get the Soviet Union to complete that treaty have been in vain. We now have to go along with the situation which has been forced upon us.

In Italy the economic recovery problem is greater than with the other countries being assisted; but that should not continue to be the case very long.

Greece, again, is a country where there are special circumstances; but again I think the situation in Greece is looking up. Unless there is great military disturbance in the world, it should not take too long for our economic aid task in Greece to be completed.

Now, those are the problems which remain under the old Marshall Plan Act—the Economic Recovery Act.

So far as economic assistance for the purpose of military production is concerned—the peak of that, I believe, should be in the next few years, while the rearmament program is going on. Thereafter there could, I believe, be very substantial reduction of economic assistance, and perhaps the ending of assistance in many cases; but it is too speculative to say anything definite.

Assistance programs in other countries involves much less in funds than what we have been talking about in the Marshall plan or in the direct economic assistance for military production. These programs, which might last over a considerable period of time, constitute a wealth-producing program. This is a program by which we are helping other nations to develop the technical competence, the improvement of agriculture, the improvement and development of their raw materials, which makes them more and more self-sufficient.

If the Congress believed that it was desirable to have some termination date for the purpose of requiring a reconsideration of all matters at a particular time, I could well understand why that would be a desirable thing to do. If the Congress wished to say it would reconsider the whole matter anyway without putting in a termination date in 1954 or 1955, that again would be a wise and sensible way to go about it.

I think it is a question of judgment, Mr. Chairman.

Chairman RICHARDS. Well, Mr. Secretary, suppose Congress does that and puts in the termination date. Of course, there will be equipment and supplies in the pipe lines and there will be some counterpart funds. I was just wondering why we could not put the termination date in there and then any residue or any part that has not been opened up can be turned over entirely to economic production for military purposes, and let that fall right over into the MDAP program of the NATO countries, and go on as smoothly as it ever did?

Secretary ACHESON. That might be possible. I think if the Congress puts the termination date in, it ought to do it with the realization that what it is really thinking about now is forcing a reconsideration of all these questions on that date, and without trying now to foresee what steps you would take at some time 2 or 3 years from now. The future is too uncertain to be able to plan now what you would do to terminate some activity on a particular date. The important thing, I think, would be to say that here is a program which in so far as we see will last two or three years, and after that we do not know, but we will reconsider the whole matter at that time.

Chairman RICHARDS. You do agree then, Mr. Secretary, that as far as possible this program should be terminated on the date that was specified when the Marshall plan first was inaugurated?

Secretary ACHESON. I think we are getting a little mixed up. I thought you were asking me whether there should be a termination

date on the whole extended program we are talking about in this bill. Your last question suggests that you mean should the ECA be terminated on the 30th of June, 1952?

Chairman RICHARDS. Yes.

Secretary ACHESON. Is that what you asked?

Chairman RICHARDS. That is right. ECA.

Secretary ACHESON. I am sorry. I misunderstood you, Mr. Chairman. I was answering a question which you did not ask.

Now, if I may go back and straighten myself out?

Chairman RICHARDS. It was my fault.

Secretary ACHESON. So far as terminating the ECA on that date, I think you are faced with the problem that I spoke about in answer to the very first question that the committee asked me, when you asked me about the administration of the program.

The economic assistance which is being furnished here—the great bulk of it for the military rearmament program will have to be administered through an economic organization. What the President has suggested here is that in order to create the least possible disturbance you merely take the existing ECA Act and extend the period of time and let the ECA be the agency which administers this economic assistance.

If you do not do that, but terminate the ECA, I think you will have to create another economic organization; and if you do that, there will be a period of confusion in between. People who are now working in the ECA will not know whether they are going to continue working. You will have people leaving, and just at the time when it is most important to get the whole effort of this thing focused, and going forward with great vigor, you will have confusion and uncertainty in the agency which has to administer the program for helping our friends to economic health.

Therefore, the President's suggestion in his message to Congress was that you continue to use the ECA by extending its existence for such period of time as you wished to. That, I believe, is the least disruptive way of getting the job done which has to be done.

There are considerations—and the Congress can go into them all in these hearings here—there are considerations of a psychological nature which are relevant, which say that you started the ECA out doing a particular job. It will have done that job pretty much by the 30th of June 1952, and, therefore, you have to end the ECA and start something else.

My own judgment—this is all a question of balancing factors here—my own judgment is that the confusion which would be put into the program by ending one organization and creating another exactly like it, and the loss in personnel, and all of that sort of thing, would outweigh any psychological advantage which came from saying, "We have done a job now and, therefore, we will end the organization that did it." I think a much better and fuller light can be thrown on this question by Mr. Foster, who is right in the heart of this matter, than by me. I have given a good deal of thought to the question, and since you have asked for my opinion on it, I would say that the wisest thing to do here would be to extend the period of time for the life of the ECA. Change its name, if you wish, to something else, if you want to, to indicate it has somewhat new functions, but keep the organization and the personnel intact so that we will not find our-

selves coming to a slow-down in the 12 months ahead where we should really be putting forth the most tremendous effort to stimulate our allies into great production.

I say that because what is done in the next 12 months is really going to determine the success or failure of this program. If things are not really humming by the middle of 1952, then you can be pretty sure that you will not get the forces and equipment which you have to have by the end of 1954, because some of these items are long-lead items, and they have to have adequate economic organization and productive capacity behind them, and the plans drawn and everybody at work.

I regard the next 12 months as very critical for the success of the mutually agreed defense plan. That is a plan which calls for the greatest possible effort by our allies, as well as by ourselves. As pointed out the other day, our allies have already doubled their production since 1949. In a military way they will do possibly as much or more again as they have already done.

They will need an organization working very closely with them to help them through these periods in the next year, and I think that organization will work better if it does not have over it the cloud that its whole efforts are going to terminate and somebody else will pick them up 12 months from now.

Chairman RICHARDS. Thank you, Mr. Secretary. The reason why I asked you that question is that I am sure the Congress understood, and the people of this country understood, and the recipient countries of economic aid understood that the Marshall plan was a 4-year program.

Secretary ACHESON. That is correct.

Chairman RICHARDS. Economic aid for military purposes and military aid are different from economic aid, as such.

I can readily understand the point you made as to the difficulties which will be involved in this period of transition and in this twilight zone between what is primarily economic aid and what is economic aid for military production. You will have plenty of trouble. I am certain that experts who have handled the first phase of this program, if this other program goes into effect, should be retained because their services are too valuable. However, that issue is not plain to the country, and the world, and the Congress itself. I think it should be made plain. The best way to do it is by putting a termination date in there and indicating how you are going to take up that burden. That is the only reason I asked that question, but there are a lot of difficulties involved there.

Mr. JUDD. Will the gentleman yield?

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. I would like to pursue this matter for just a moment, because we took it up in every European country we visited recently. In general our political people all wanted it to end officially, whereas the economic people—the ECA people—in general wanted it to continue. There were exceptions in both cases.

We were told frankly that the ECA in its original sense had ended its work. In fact, ECA, as we set it up, is already finished, because of the shift in its operations to support of the defense program. Originally the concept was that economic aid was an alternative to a military program. Economic recovery—that was the way in which it was presented—was designed to give these countries stability.

Of course, it was too late, as some of us warned at the time. ECA is not an alternative to a European military program, but it is in support of a military program and has been from the beginning.

The question is whether to be honest with the Congress and honest with the people and say that ECA as originally envisaged has completed its work, and what we now have to have is an economic program in support of the defense program or else it falls to the ground. Shall we lay the cards on the table and do it forthrightly? I myself believe that should be done.

As to the wind-up date, I was convinced by Ambassador Dunn in Italy we should not end ECA now but we should at the end of fiscal 1952, when the law says it should end. It has become a symbol of American interest in the welfare of European people, he said. The people of these countries in which ECA is working believe that it helps their living standards. The mutual-defense program does not go beyond support of the military effort. They may know that in general their country is being strengthened, but they do not see anything they themselves are getting out of it, whereas the ECA was a program to help them recover from the poverty and the unemployment and the dislocations of the last war.

Now, if we say we are not going to carry ECA through 1952 as originally planned and intend to end it in 1951, they are going to say, "See. They do not care anything about us. It is just part of a great power struggle between the United States and Russia as rival imperialistic giants," and so forth. I think we ought to keep ECA through fiscal 1952, but I believe strongly there are two arguments for ending it then that have greater importance than you gave them in your statement.

One is the importance for the long-term future of for once ending a foreign-aid program when we said it was going to end. It is always said that it will be a short temporary program and that the coming year will be the most urgent one. Then, at the end of that year, it is the following year that is going to be the most urgent one and so on. That develops cynicism in the Congress toward the Departments and in the country toward the Congress. It is like the old fable of the boy who cried "Wolf" too often. Congress tends not to believe the Administration when it comes here and says, "This is to be a 1-year, or 2-year, or 3-year program." I think it would be most helpful if, since we said it was to be 4 years, we finish it in 4 years.

At the same time we should explain frankly why there should be a new program similar to ECA. The people are intelligent. I think they are both more intelligent and more patriotic than many people give them credit for. You understand the need, and I understand it; what makes any one think they will not understand it? If it appeals to our patriotism to the point of our supporting it, theirs is just as good.

That is reason No. 1. The second is this: If we continue ECA beyond 1952, it plays right straight into the hands of the Communists, who have said all along: "This is not a sincere effort to help you people in Europe. It is a blind and a facade. It is really a military program." If, in fact, we now make the economic recovery program only a military program, the Communists seem proved right, even though you and I had no such intention at the beginning.

I myself think those two considerations, one, integrity in Government and playing fair with our people and, two, not giving the Communists the right to say that this was all along a deception and part of a military program rather than an economic program, ought to outweigh the dislocations and uncertainties, which I do not think need be very serious, that will follow from such a change.

If you would care to, I would like to have your comments on those two arguments which were presented to us most forcefully by various persons in Europe, both our people and the representatives of the countries we visited.

Secretary ACHESON. I attempted to make, not as vigorously as you have done, Mr. Judd, the very points you have made. The thing I was also pointing out is that you will need some kind of people grouped together—

Mr. Judd. That is right.

Secretary ACHESON (continuing). In an organization to do this work.

Mr. Judd. And we ought to preserve them as an organization because it is the best job, I think, of effective management our country has ever carried out in such a field.

Secretary ACHESON. What I was pointing out is: You will need some people to do this work after June 30, 1952, because the administration of our country's economic help to military production will continue through 1954 anyway, and possibly longer.

I am not asking the committee to adopt any one theory, but I am asking them when they solve this problem to have prominently in their minds also the need of having these capable people who have worked so well, as you said, for the Government, continue in their efforts and helping these countries in the military and economic assistance for military production after 1952.

Therefore, if you consider only the points which you and I have mentioned which lead to the desirability of showing that this old program has come to an end and we are on a new program, and if you consider only those considerations and say that ECA ends on June 30, 1952, period, then everybody is discharged and everybody leaves the Government. Then we come to 1952 with no organization existing which is able to carry our plans forward, and that I know the Congress does not want to have.

Mr. Judd. I do not either. We do not need to say that, or to discharge everybody.

Secretary ACHESON. If you can work out something or other so that these people can be assured their services will be needed for a different program after 1952, and that the program which is starting now will be continuing, you will have achieved the purpose I want to.

Mr. Judd. We have about three alternatives. We can keep three organizations in these countries as at present: The regular Foreign Service, ECA, and MDAP. Or we can merge MDAP and ECA into a security-aid organization with an economic branch and a military end-item branch. Or we can put both of them under the Foreign Service; that is, under the complete direction and control of the State Department. I judge that you prefer keeping the coordinating system we have at present. Those are the three main possibilities. It is our problem to work them out with the maximum benefit and minimum dislocation, and I am grateful for your views.

Secretary ACHESON. There are modifications of those three alternatives. You could say that the ECA, as such, under its present legislation, will continue until 1952. At that point it will go over to this other task. Its name will be changed and its functions will be restated by legislation at that time. Therefore, people working for ECA would know that they would in some way or other be continuing in this effort.

Mr. JAVITS. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. JAVITS. I just wanted to make the point that the International Development Advisory Board, headed by Nelson Rockefeller, came up with a specific recommendation that we set up a United States Overseas Economic Administration. I would like to point out, too, that I would like to associate myself with Dr. Judd's views on this question and advocate that we do go to a new agency and call it the United States Overseas Economic Administration.

The third reason for that is that this is a new program and it ought to be emphasized it is a new program and policy we are consciously embarking on, and, therefore, the views of the chairman are so pertinent as to the time limitation. I also feel strongly we have got to end ECA when we promised. This committee was gracious enough to give me the ball to carry on the 1952 date in the ECA 1948 debate. The House, in passing the bill, did say the program should end in 1952. I am for ending it in 1952, and let us with our eyes open go into this new Mutual Security Program. We have a blueprint for it in this recommendation of the International Development Advisory Board.

Mr. JUDD. If we end it in 1952, we are not cutting it off. It is because it has done its job, thank God.

Chairman RICHARDS. I remember when the bill came up in 1948 the gentleman from New York proposed an amendment be put in this provision to promote that, but there is certainly an implied obligation on the part of the committee and the Congress to do all we can to terminate it on that date.

Are there any questions on this side?

Mr. HAYS. Mr. Chairman.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. Mr. Secretary, in the Mutual Defense Assistance Act of 1950, there is provision for the President transferring as much as 10 percent of the funds from one item to another, and a provision that when this power is exercised he shall notify the Committee on Foreign Relations of the Senate and the Foreign Affairs Committee of the House, and also the Armed Services Committees of both Houses.

In title V, General Provisions, section 501 of the draft bill we are considering, no such provision is made for notifying the two committees of each House. I just wondered if there was any reason why that was omitted.

In other words, we found that was rather helpful to be advised of these transfers. I want to know if there is any reason why that procedure should not be followed.

Secretary ACHESON. I think there would be no objection to following that same procedure.

Mr. HAYS. Yes. We had in the Yugoslavia transfer, for example, some contacts with the executive department that were very helpful

in the understanding by the committees of that action. I wanted to pursue just a little the comment that you made, sir, the first day, with reference to the Italian and French elections, which you found encouraging. Is not the problem one largely of acquainting the people with the beneficial results of the program? That is where we lost ground.

For example, in Sicily it is not because there was any failure of the program, really, to extend it widely. We were not able perhaps to get that out among the people. Is that a fair appraisal of it?

I am pointing out that while it is true, of course, as you said, that there were gains in the municipal elections, there were also losses in localities. Do we not need to give more attention to acquainting the people with the fact that we are giving substantial aid to that group?

Secretary ACHESON. Yes. I agree entirely, Mr. Hays, and I think you are quite right about it, and we are redoubling our efforts to do that. We are already looking into matters that were brought up in questions to me yesterday, and I think in the very near future we will greatly improve our service along that line.

Mr. HAYS. Then it is true in Sicily, for example, that the benefits have been widely spread, as I understand it, and peoples that were in need of economic aid have participated?

Secretary ACHESON. I think that is true. Yes, sir.

Mr. HAYS. I think sometimes, Mr. Secretary, that we are rather timid in touching things that are delicate from a political standpoint. Take land reform, for example, of which the Communists have made so much. We have been too timid in espousing the American plan of greater equality of opportunity. Many of us were impressed with what you have done, for example, in Formosa, to correct abuses in the agricultural system, not by a sweeping change but by a more equitable division of income and less exorbitant rents.

I think a monumental job has been done in Formosa that we ought to capitalize and find ways of letting the peoples who are subject now to the Communist propaganda know how well the American system works when we put our hands to the problem.

I do not want to be too lyrical about the Formosan matter, but from what I know of our work in rearrangements in the agricultural system there it has been very effective.

Secretary ACHESON. That is quite right. I agree with you thoroughly, Mr. Hays.

Mr. JUDD. Except that it was almost entirely done by the Chinese. Our help was under a provision that is my baby, the Joint Commission for Rural Reconstruction, of which Mr. Moyer is the head. With just a little advice from us on how to do it, they did it.

Mr. HAYS. It was done by the gentleman from Minnesota, who is an American, and not a Chinese.

Mr. JUDD. It was conceived largely by some Chinese, especially Jimmy Yen. I was responsible for getting into the ECA bill a provision to set up a Joint Commission, with three Chinese and two Americans, which is the way to do such a job, to work with them and not to try to tell them. Because, if the two Americans are any good, their views will prevail. The Americans furnished the technical know-how, and the Chinese operated the program. It is the kind of thing that can be done in all these underdeveloped areas by imaginative leadership and sympathetic help, rather than by orders from the

top, or humiliating exposures of their inadequacies. Under those circumstances you do not get results.

Chairman RICHARDS. I was sure the gentleman from Minnesota could not go along without breaking out on that subject.

Mr. JUDD. Mr. Chairman, I thought I had been exhibiting extraordinary restraint.

Mr. HAYS. The gentleman from Minnesota and I are not too far apart, but I do not want him to be too modest, because this is an American plan, and I am even willing to give the Republicans credit for inaugurating it.

The Formosan action is highly significant, and we ought to capitalize on it and let the people of Asia know we did a job for the underprivileged people there.

Mr. JUDD. It is the only place where real land reform benefits have come to the farmers. The Communist program is a phony, and always was a phony. We give them real help.

Mr. HAYS. Yes.

Chairman RICHARDS. I should like to say for the benefit of the audience that these two gentlemen are very close friends, and there is something fishy about the whole thing.

Are there any question on this side?

Mr. REECE. Mr. Chairman.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. If I may, I would like to ask the Secretary if, after the Kem amendment was passed and before the National Security Council acted in setting it aside substantially, if the State Department communicated with the other countries concerned to the effect that the Kem amendment probably would be set aside and to disregard it?

Secretary ACHESON. No; we did not communicate to that effect and indeed the National Security Council has not set the Kem amendment aside, Mr. Reece.

Mr. REECE. I said "substantially."

Secretary ACHESON. No. I would like to state in a moment exactly what has been done, because I do not want any misunderstanding about that.

We have called in the representatives of all the countries except three, and those three have no substantial problems in connection with the Kem amendment. We pointed out to them what the requirements of the act were. We pointed out that we had this list certified by the Secretary of Defense, and that it would take a very considerable time even to get that list printed in English, and a longer time to get it translated into various languages that were necessary.

We pointed out to these representatives what the purposes of the Congress were in connection with the Kem amendment, the purposes for which we had been struggling for a long time and toward which their governments had made substantial progress.

We asked them on an urgent basis to get in touch with their governments to be able to establish exactly what they had already done toward accomplishing the purposes of the Congress; what further steps they could immediately take; and what were the greatest problems facing them in connection with the amendment.

Now, what the National Security Council did, Mr. Reece, in regard to the Kem amendment, was, to give an extension of time in order to give an opportunity to find out these very facts I have been talking

about, and to put in the hands of the foreign governments the list with the indication of what parts of that list are vital, and what parts are less vital. This was done by granting a general exception for a limited period of time. The National Security Council was faced with the proposition that you had to do one of two things. You either had to stop all aid while you set the machinery in motion, or you had to continue all aid while you got the machinery in motion. It seemed to us that the choice would have to be taken in the direction in which we took it. For the effects upon the whole program of stopping everything while the list was translated and put in people's hands, and while they were able to report to us what they could do in meeting it, would be disastrous, particularly at a time when we were pressing all these countries to extend their military effort.

But we will within the 90 days have these reports. We will take the matter up on a country-by-country basis, and do our very best to achieve the purposes of the Congress, which are also the purposes of the administration.

Chairman RICHARDS. Are there any other questions?

Mr. JUDD. Yes, Mr. Chairman. I have some questions.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Secretary, when the Marshall plan was originally before us, the whole philosophy and system of counterpart funds was worked out in this committee. One of the questions I recall we voted up and voted down a half a dozen times before we finally decided was how the counterpart funds would be controlled.

Some favored complete control by us because they are what the people of the recipient countries pay for the goods that are furnished. Some were for turning them over wholly to the recipient governments. We finally compromised on joint control.

There are now suggestions from certain responsible organizations and people in our country that there ought to be a basic change in that policy and that counterpart funds ought to be solely under our own control. Some of the organizations, like the American Farm Bureau Federation, have particularly in mind the so-called underdeveloped countries which may be receiving more help in the future. For example, when it was proposed that we give grain to India as a gift and get counterpart funds in return, some people felt the real way to get beneficial reforms and developments in India was for us to control those funds in Indian rupees and make sure that with them the irrigation, or seed selection, or health or educational programs that are most beneficial, would be carried out effectively.

I think an argument can be made both ways, as is true of most questions. I would appreciate your comment, if you have given the matter thought.

Secretary ACHESON. I should like the real substantive answer to that to come from Mr. Foster and others. But what I would like to say from the point of view of foreign policy is that I most earnestly hope the present method will be continued, and for the reasons which you most effectively stated a few moments ago, when you were talking about the Formosa land reform program. That is, if we do these things on a cooperative basis with the country and work them out together, we will get infinitely further and have a much better attitude in the country concerned than we will if we undertake to say that this capital fund belongs to us, and we will deal with it in your country

as we Americans think wise, and we do not want to have to be bothered consulting with you. The second approach would not produce as good an attitude for the very reasons which you gave, and I could not agree with you more.

I think the way to do these things is to do them by cooperation and by joint effort. As you very truly said, if our representatives are not good enough to sell a sound idea, then we had better get some who are, because I am sure we can do that, and we have done it very effectively in dealing with the counterpart funds.

Mr. JUDD. I appreciate your answer. There is the further fact that perhaps Americans could go in with more efficient organization and methods and get certain things done more rapidly. But when the Americans moved out there would be nobody prepared to carry it on unless it has been a jointly developed and jointly operated program.

Secretary ACHESON. That is very true, Dr. Judd.

Mr. JUDD. In your statement on page 13 you make a statement which I think represents a certain change in our foreign policy. You say in the middle paragraph on page 13, talking about this whole great crescent of countries from Korea and Japan to Afghanistan—

Our broad national objective in this area is to help the people develop independent and stable governments, friendly to the United States.

The significant change is that you omit the word "democratic," which for many years was always included in a phrase "independent, stable, and democratic governments." I have always objected to it. It did not put first things first. I want to congratulate you on this change of policy, because our first national objective is that these countries be independent and friendly so that their resources cannot be used against us by an enemy. Whether they choose our form of democratic government right away is not the essential thing. It is desirable and we want them to be democratic. We must help them become so. But I think it was always a mistake and impossible of accomplishment to require that as the prerequisite for our aid they, first of all, become democratic and go through the motions of a constitution and an election, which they did not understand and did not know how to handle well. Democracy usually comes after stability, in my experience, rather than before.

I believe this represents a genuine forward movement in our thinking with respect to the countries in Asia. It took England, as I recall it, 700 years from the Magna Carta to universal suffrage, and these other countries are going to have to take some decades, if not centuries, to accomplish the journey.

Democracy is a goal, and not the condition of our aid. What it seems to me you are now saying is that security is first, then stability, then reform. If independent governments do not produce reforms beneficial to the people they will be overthrown, but they cannot produce reforms until they are secure and stable. Is that an accurate statement? Does your sentence mean that, or was it just an inadvertent omission of a word?

Secretary ACHESON. No; I do not think it was an inadvertent omission. I think it was consciously done. For one thing, in the battle of words which is going on in the world "democratic" has suffered many casualties. All the Communist regimes are called People's Democratic Republics, and I think you are quite right here in what you

state, that we have not withdrawn from the idea that representative government and free institutions are the goal for which we should press with other nations. We are stressing here that independence is the great thing to start with. If peoples are really independent and they are not satellites of anybody, then we can begin to work with them, because they have got something which we understand.

We want to be independent, and we want them to be independent. If they want to be independent then they are the sort of people with whom you can do some business.

As you correctly say, there has to be stability. Maybe to get stability you will have to go a long way on certain reforms, such as the land reform that you were referring to a little while ago.

Then, insofar as they can move to free institutions and representative government we will help them in every possible way, but we recognize that is something that cannot be done overnight.

Mr. JUDD. On page 14, in the middle of the page, you say,

Poverty, disease, illiteracy, and resentments against former colonial exploitations—these are the turbulent forces that seethe in Asia, that move people powerfully.

I want to make more of a comment than a question. I believe that the most powerful of those forces in Asia is resentment against former colonial exploitation. I think Americans are projecting too much of their own ideas into other people's minds when they assume that poverty, disease, and illiteracy are as powerful factors, or that the desire to be free from those conditions is as powerful a motivation throughout the common people of Asia as it is among ourselves. It is, of course, in the case of those leaders trained in England or the United States. It is not so true by and large with the people, because they are still too unaware that conditions could be better. The resentment against colonial exploitation I think you will find to be deep and universal in those countries, because human dignity is the most precious thing a man has, and it is just as precious to the poor and illiterate, if not more so than to the more advanced. The bitter resentment of the Iranians against Britain is not so much because of financial reasons, I am quite convinced, as it is because of Britain's refusal to yield on certain matters of prestige, such as allowing even one Iranian to be on the board of directors of the Anglo-Iranian Oil Co., or allowing the Iranians to look at the books of the company, even though the royalties paid the Iranian Government depend on what those books show. I am sure the British books are completely accurate, but they will not let the Iranians see them.

You said that if Iran would be less emotional and would consider more its own interests, the problem would not be insoluble. But, rightly or wrongly, what the Iranians consider as their most vital interests is not oil production. It is dignity and standing and equality of status. Sometimes I suspect the British Government has not learned anything in this sort of thing since it lost the Thirteen Colonies unnecessarily, because it would not yield on certain matters involving most of all, equality of status. While we are helping to overcome the poverty, disease and illiteracy in Asia—and I spent 10 years of my life working at that—I think we ought to emphasize more and more that the biggest thing is to give them equality of status and recognition. Without that all the other things will not succeed.

I had a good illustration of that recently in France in a shop not far from the American Embassy. The wife of the shopkeeper was an American girl, born in New York. I had to sign a check on the House of Representatives bank and they found out I was a Member of Congress. We got to talking and her husband said, "If France goes Communist"—and this was the day before the election—"If France goes Communist you Americans will be more to blame than anybody else."

I said, "Why is that?" He said, "Because you have not had imagination enough in your dealings with the French people." He said, "You have done a good, effective job of general economic recovery in your usual efficient American way, but the people do not understand it. They know that most of them are better off, but they do not realize that Americans had much to do with it. They think you have just aided the Government and businessmen. The Communists come in and give a little tin of powdered milk to a mother, or a little bottle of cod-liver oil for a child, and the people say, 'That is wonderful. They care about us.'"

I said, "Well, we had two possible courses. We could carry on the same sort of personal aid and propaganda job that might make you as individuals feel better, but would not solve your problem. Was it not better to work at the long-term business of restoring your production and getting you so that your country would be solvent?" He said, "You are succeeding economically, but you are not succeeding politically." Then he added, "And you spent enough money to do both if it had been spent more effectively and with less waste."

I thought it was rather illuminating for a well-educated and sympathetic Frenchman to recognize that and state it in a candid way. I feel more keenly than ever before that we have got to find better ways along the line of the remarks of the gentleman from Arkansas to make sure this program and knowledge of its benefits reach down into their homes, and that it is the best way for us to help them, rather than to send in little individual hand-outs which would give them something immediately, but would not improve their country's situation.

I am sorry Mr. Chairman, for this long monologue.

Chairman RICHARDS. We always enjoy the gentleman's very strong observations, particularly at this time.

Are there any other questions?

Mr. REECE. Yes, Mr. Chairman.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. I would like to ask the Secretary if you think there is any danger that this program, instead of being a deterrent to Soviet aggression against the Western European states, may encourage the Kremlin to move against those states before the NATO powers are well armed? There seems to be a general feeling from the expressions which have been made that Russia, with the divisions, of which it has several, in Eastern Germany and in that area, could move at this time. I am just interested in your thinking on that.

Secretary ACHESON. Well, that raises a problem which is raised in connection with anything which is done in this whole area, Mr. Reece. If one takes the attitude that if one attempts to become strong so as to resist Soviet aggression then one will provoke Soviet aggression, the conclusion is that one must give into it. That conclusion is unac-

ceptable. That is not a possible conclusion. Therefore, if there are any risks that the attempt to create enough strength to resist aggression is going to provoke it, we just have to run those risks.

Mr. REECE. I do not want to put myself in a position where my comment might be interpreted in that way. I think the gentleman will concede there is one great force that is discouraging aggression, and that is the productive capacity and the economic strength of the United States. As long as we are able to preserve that economic strength in the United States and preserve and build this productive capacity that results from this system of enterprise of ours, there is grave doubt, it seems to me, whether Russia would feel in the long run that she could win in a total conflict.

As you well said in your statement, I believe Russia figures on the long-range result and tries not to embark on any course where there is any substantial risk of losing in the long run. My own feeling is that as long as we maintain our position of great strength here in the United States, that Russia cannot help but estimate that in the long run she is running great danger in starting another total conflict.

Secretary ACHESON. Mr. Reece, I of course agree that the great productive power of the United States and its power to produce all sorts of materials, military and otherwise, is a tremendous factor in the world. It is not, however, in my judgment, an effective deterrent for war if it is not harnessed into the task of transforming some of this potential power into existing power, or power in being. In other words, if, as you say, we do nothing to create power in being to meet an aggression, but we simply wait until it appears and then put this whole great power into production, I am afraid you will not deter war, you may furthermore get yourself into a situation in which the same miscalculation might be made that has been made twice, and, that the United States would not get into the struggle until it was too late.

Therefore, I think we must proceed to use this power in order to create forces in being so that the aggression will never start.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. I was a little concerned with your discussion with Dr. Judd about stability and independence in these countries, and the aim of this program. If we aim primarily for stability and independence and then let the development of human rights wait rather than to have those developments join right away with this program, do you not think that we would just be trying to maintain the status quo? Then we would be trying to hold in power the maybe inefficient and corrupt machines, and possibly maintaining, by the force of our own arms that we supply, the suppression of human rights and liberties abroad?

Secretary ACHESON. I think if we took that attitude we would be open to the criticism which you suggest, but I do not think we are taking that attitude, Mr. Fulton.

Mr. FULTON. So that your reply then to Dr. Judd did not mean in any way the American people were going to ease up either now or in the program that is in progress, or in the future, in the development of human rights and human liberties abroad?

Secretary ACHESON. I did not understand Dr. Judd to make that suggestion, and I certainly did not make any response to that question.

Mr. FULTON. I want to make it clear that is not the case. In addition to that, the program itself is not aimed to support any par-

ticular regime, or any particular group or clique in any governmental body abroad, is it?

Secretary ACHESON. No, it is not.

Mr. FULTON. May I ask then finally, is there any agreement with Britain, whatever, that if they prosecute any of these atomic spies or atomic scientists who have violated our security, that we will then not prosecute? Do we have any agreement on a diplomatic level, for example, that when Klaus Fuchs is tried abroad under the British law for security reasons that we then do not bring him over here and try him for the claimed offenses against our Government which he committed in our country?

Secretary ACHESON. No, sir. There is no agreement of any such character.

Mr. FULTON. Is there any movement on now to extradite him before the Rosenbergs are executed?

Secretary ACHESON. I am just not informed about it, Mr. Fulton.

Mr. FULTON. That is all.

Chairman RICHARDS. Mr. Secretary, we thank you very much. You have been very patient and very frank. We will have Secretary of Defense Marshall as our first witness in the morning. When the committee adjourns it will be until 10 o'clock tomorrow morning.

We have five additional minutes. Dr. Judd would like to ask a question.

Mr. JUDD. In your statement, Mr. Secretary, and in all the discussions on this issue, emphasis is properly given to the great productive capacity of Western Europe. Second to ours, it is the best workshop in the world. Yet it is disturbing that we are having to produce and send to them out of our resources so many things they are capable of producing themselves.

What puzzles me is how to do the short-range emergency thing that needs to be done by us, and at the same time succeed in getting them to make the maximum effort for the long run.

I do not want to mention any specific countries, but here is an example. We were in a country which has a very considerable machine tool industry, and is able to produce a great deal of small arms and ammunition. Yet we are shipping to its neighbors small arms which it could produce just as well as we. At the same time we are constructing for that country some ships like mine sweepers, which can be produced in Europe by its neighbors. We are making brand-new ones and sending them over to it. Now, it would like to have orders to make small arms, but the other countries do not give it orders. If they bought from the country in question small arms and ammunition, they would have to pay for them. If they get 30-caliber ammunition made in the Twin City Ordnance plant in my State, they do not have to pay for it. You and I pay for it.

Now, how can we mobilize the full productive capacity of each country for the whole area, beyond its needs for its own rearmament? We discussed this time and again, and I am not satisfied with the answers.

When the original MDAP bill came along in 1949, four of us on this committee offered an amendment to reduce the actual appropriation by 50 percent until we saw whether they were going to do their part. It was not because we were against the full amount, if well spent, or were engaging in an economy drive. We were trying

to give them an incentive. We wanted to say, in effect, "We will advance our side of the line half way down the field. Now you come along with your part; and then we will go the rest of the way with ours." It was passed in the House but defeated in the Senate.

Now, I have been toying with the idea of whether we should not try something of that sort again. It is not to issue a threat, but to provide an incentive. It would be on this basis: "To the extent you mobilize to the utmost of what you can do, we will provide whatever amount is agreed upon. The more you do, the more we do," rather than say, "Here is our whole amount right now without any conditions." Do we not encourage them to rest on us more than they need to, if we pay it all in cases where they can do more themselves? There is no more troublesome problem in the whole situation than this one. Could you help us on that?

Secretary ACHESON. This is, as you say, one of the major problems with which we are concerned. I think it can be very fully discussed with you by the ECA witnesses, and by the military ones, when you get down into a detailed consideration of it. The problem is exactly what you stated. How is it possible to get all the productive facilities of Europe working on some sort of a pool basis? We are at this very moment having the most intensive work done in the Defense Department and in ECA with our people sitting in to see what possible way can be found to solve that problem. It will not, I think, affect the amount which we will need to send them now.

However, you are quite right, that there is productive capacity which at the present time is not being used. The problem is a financial problem. If that can be solved, then you can get these people to work. But there is just not enough leeway now of transferable funds to work that out. We are at work on it, and maybe we can find a solution. We have to find a solution because there is productive capacity that can and must be fully utilized.

Those who know far more about the solution of the problem than I do will be prepared to give you their best judgment on it.

Mr. JUDD. Thank you, Mr. Secretary.

Chairman RICHARDS. The committee stands adjourned until 10 o'clock tomorrow.

(Whereupon, at 11:45 a. m. the committee adjourned until 10 a. m. the following day, Friday, June 29, 1951.)

THE MUTUAL SECURITY PROGRAM

FRIDAY, JUNE 29, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the Ways and Means Committee room, New House Office Building, at 10 a. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

We are continuing the hearings on the so-called Mutual Security Program. We are fortunate to have with us this morning the distinguished American, the Secretary of Defense, General Marshall, who will testify.

General, do you have a statement that you wish to make?

General MARSHALL. Yes, Mr. Chairman.

Chairman RICHARDS. Will you proceed, please?

STATEMENT OF GEN. GEORGE C. MARSHALL, SECRETARY OF DEFENSE

General MARSHALL. Three years ago, as Secretary of State, I appeared before the Congress in support of a plan to assist the countries of Europe to recover from the devastating effects of a major war.

These countries had emerged from the war with disrupted economies and war-weary populations. Congress, in recognizing the fact that this situation endangered the establishment of a lasting peace, enacted into law the Economic Cooperation Act of 1948.

As the reviving economies of Europe diminished the threat of internal subversion, the fear of external aggression became the great menace to the stability of our common effort.

The Mutual Defense Assistance Act of 1949 was a recognition of the existence of the disruptive element of aggressive force. Now in 1951 our goal continues to be a free world of nations with strong and healthy economies.

I am here today in support of a Mutual Security Program which integrates our programs of military and economic assistance as a bulwark against the threat of these aggressive forces.

There are in the world two great centers of power and influence. One of these is the family of the free nations. The other is the Soviet-controlled group. The United States is the keystone of the free world, and must be the leader in resisting the Soviet threat.

The strength of a nation does not depend alone on its armies, ships, and planes; it is also measured by its qualities of leadership, by its resources and industries, by the determination of its people, and by the strength of its friends and allies.

We are now engaged in building up our military and matériel strength, and as part of that effort we are assisting other nations in preparations for their own defense, those nations whose strength will contribute to our security.

The security of the United States rests on our own strength and on our unity with the other friendly nations. To develop unity this Government has joined in regional arrangements through the North Atlantic Treaty and the Rio Pact.

It would be quite unwise for us, in my opinion, to rely solely on our own strength. The most effective and least costly means of insuring the security of the United States is through collective security. Less than two years ago the Congress by passing the Mutual Defense Assistance Act and ratifying the North Atlantic Treaty, recognized this factor and formally endorsed the concept of collective security.

This has seen its greatest realization in the development of the North Atlantic Treaty Organization. The other free nations of the world are receiving our assistance to organize their defenses. This is a project of self-interest for this country, of the highest and most pressing urgency.

Our experience with the administration of military assistance to free nations since 1949 has been encouraging. The free world is stronger today because of such military assistance and the strength will grow.

I am not implying that we have solved all problems of mutual defense or that they will be solved completely in the next year, but I do believe that the results already attained justify further American investment in a Mutual Security Program.

I have stressed the word "mutual" because this must be basically a program of partnership. The nations that have been given assistance have joined with us in collective security measurements.

They are raising, training, and organizing troops to support mutual security. They lack certain items of military equipment that they cannot produce or cannot produce in time to meet planned mobilization schedules.

Our assistance basically consists therefore in furnishing them with certain matériel and equipment and of helping them to develop their own organization, training, and production facilities so that they can more readily take care of themselves. In other words, we propose to help them to help themselves.

The extent of the mutual assistance already given the free nations since the enactment of the Mutual Defense Assistance program in 1949 and through May 1951 has been significant.

There has been shipped more than 1,400,000 measurement tons of equipment, exclusive of aircraft and naval vessels delivered under their own power, as follows:

Eight hundred and ninety thousand tons to the countries of Western Europe; 380,000 tons to the Middle East, and 160,000 tons to the Far East. The major items of equipment already transferred include more than 4,300 tanks and combat vehicles, 2,750 major artillery pieces, 18,000 general-purpose vehicles, 850 aircraft, and more than 175 naval vessels and small craft.

Boxed and crated equipment included small arms, mortars, recoilless rifles, bazookas; electronic equipment, and millions of rounds of

ammunition. This equipment is valued at more than one billion dollars.

To insure proper use of the equipment and to provide a nucleus of instructors for improved training within their military establishments, our Armed Forces schools in this country and abroad are training, or have already graduated, as a part of the military assistance program, more than 12,000 foreign students.

With the aid of the military items already furnished, the nations concerned have now laid the foundation for their more effective defense. There should be a continuous growth of real strength as deliveries of military equipment are increased.

The campaign in Indochina offers an excellent example of the practical effect of such deliveries. In January, the Communist Viet Minh troops, equipped and trained by the Soviets and their satellites, were driving in full force against Hanoi, the capital of Tonkin.

The timely arrival permitted the use by the Franco-Vietnamese troops of planes, artillery, and napalm bombs supplied under the Mutual Defense Assistance Program in halting the Communist attack less than 20 miles from its objective. Some of the equipment was landed in Indochina less than 2 weeks before the battle.

While the courageous conduct of the French and Vietnam troops was responsible for this military success, the timely military aid may well have provided the needed margin for victory.

That victory has served Vietnam as a tonic. Since then it has steadily increased its armed forces. It has greatly expanded its training program. It has pledged 55 percent of its revenue to national defense.

While Vietnam is the most dramatic example of the impact of United States aid in stemming the aggressive aims of the Kremlin, the result of such support in Greece, Turkey, and the Philippines has been far reaching.

A crucial test of the success of the Mutual Security Program must be met in Western Europe. Military assistance to these nations offers the best prospect for the success of our collective security efforts.

The North Atlantic Treaty Organization has been in existence less than 2 years. The members have agreed to concentrate on the creation of balanced collective forces for the NATO area as a whole rather than attempt to build up in each country the forces deemed necessary for its own independent defense.

The acceptance of this principle involving difficult and often unpopular departures from national traditions demonstrated a willingness to rely on others for tasks vital to a nation's own defense.

The North Atlantic Treaty Organization has recently improved the machinery of its operations. It has taken affirmative steps to mobilize defense efforts. The military committee, its standing group and subordinate command headquarters have been established and are operating.

General Bradley, who represents the United States on the military committee, will discuss this subject with you.

The recommendations of the military committee as to the forces to be provided by each member country have been approved by the Defense Ministers and received governmental agreement as the desired objective.

The Defense Ministers have recommended to their respective countries the adoption of basic principles for effective training and mobilization procedures and measures for the maintenance of sufficient trained military manpower. The establishment of an integrated defense force has been approved and is in process of organization under the leadership of General Eisenhower.

The organization of the military procurement and production of the NATO nations is being pressed so as to secure the maximum production at least cost and in the shortest time possible.

All of the NATO countries (in Western Europe), except Iceland which has no army, have compulsory military service. Since the signing of the treaty, five have extended their training periods.

All of them have tightened the conditions for exemption from military service. Since the receipt of equipment from the United States, the quality of training among all of them has improved. Morale has improved. The confidence and the determination of our treaty partners has grown considerably in the past year. An added sense of urgency has been developed among them.

The United States has taken more positive steps to meet the dangers of our times than have the governments of Europe. I regret to report that some, for one reason or another, have not seemed to do all that they could do. They have their problems, of course, but so do we. I make this comment because we should not build up in any one country a false sense of security in the belief that present efforts are adequate.

In the Near East, in response to request for aid, we have entered on a grant basis into bilateral mutual defense assistance agreements with Greece, Turkey and Iran. Improved conditions in Greece and Turkey today are in great measure the result of such assistance.

We are continuing our mutual assistance to these three countries to enable them to maintain internal security and to increase their capability to resist external aggression.

The maintenance of stable conditions in this area is just as important as the development of military strength. Economic stability and military security taken together are the most dependable antidotes to communism.

In Asia, we are proceeding along similar lines. In Formosa we are strengthening its military defenses and have increased both the size and the scope of our military assistance advisory group to that island. In Indochina and in the Philippine Islands our military assistance continues to support successfully operations against the spread and influence of aggressive communism.

In the Western Hemisphere the need for cooperative defense has become increasingly clear to our American neighbors. Under existing legislation, we have been providing them with military equipment on a reimbursable basis. We have assisted Canada in her rearmament program. We have also made considerable progress in the standardization of equipment among the nations of the Western Hemisphere.

At their meeting in Washington earlier this year, the Foreign Ministers of the American Republics charged the Inter-American Defense Board with preparing as vigorously as possible the military planning for their common defense.

That task is now being rapidly carried forward. To assure a more active role in the defense of the Western Hemisphere by the Latin American Republics a plan of grant aid will have to be undertaken.

The full program should associate the military and strategic resources of the other American Republics with those of the United States and assure the delivery of essential strategic materials and the accomplishment of hemisphere defense tasks.

I have dwelt largely upon the military assistance aspects of the Mutual Security Program. Now I wish to emphasize the great importance of its economic features. Under the Economic Cooperation Act of 1948 the free nations of the world have made a remarkable economic and spiritual recovery.

Now when they are in a position to reap the advantages of their renaissance, they find themselves, just as we find ourselves, in a position where we must strain our economy to become sufficiently strong in a military way to deter, and if necessary to resist, aggression.

The need for prompt rearmament and the importance of giving economic support to the defense of the free nations make it essential that economic assistance be continued by the United States.

Economic aid in varying size for the individual nations will be required for the following general purposes:

1. To support rearmament programs among nations which might become impoverished if they had to depend solely on themselves.

2. To enable some nations to produce their own munitions, especially in Europe where armament facilities can be adapted to produce modern equipment. Such production could relieve the United States ultimately of a continuing grant-aid program.

3. To assist in the financing and building of civil facilities required to meet military plans, such as communications, airfields, and harbors.

4. To strengthen the underdeveloped areas of extremely low standards of living, low standards of literacy, poor conditions of sanitation and health and high death rates. There a large part of the world's natural resources are found and there the Communists are trying to exploit the impoverished situation to their advantage. It is the tradition of the United States to aid the aspirations of people to improve their lot. This is the time when American self-interest and the welfare of the peoples in the underdeveloped areas become a common cause which can be advanced by a judicious distribution of our economic assistance.

In urging these measures of foreign aid, the Defense Department is keenly aware of the cost involved and especially that this cost must be added to the funds required for the defense of this country and its interests overseas.

Foreign aid will represent about 15 percent of our total defense budget. We consider the investment necessary because we believe that it will strengthen the security of America and of the free nations.

The duration of the military assistance program, must depend on future events. All things being equal, and I realize that things will not remain static, I feel that the requirement for funds for our Military Assistance Program will be at least the same level in fiscal year 1953 and in fiscal year 1954 as is being requested for this fiscal year.

Thereafter most of the European countries should be in full production, their initial rearmament well under way, with general financial capabilities to maintain such a level of defense, so that their requirements for military end items from the United States can be substantially reduced.

The requirements of each of the nations participating in this Mutual Security Program have been examined carefully in the light

of our own plans and resources, and the capabilities of each nation to help itself. The program is designed to keep war from our shores, to discourage attack on ourselves and our friends, and to support the principles of freedom which are our heritage.

In brief, I believe that the Mutual Security Program, which will be presented to you by other witnesses in more detail, should be authorized by the Congress of the United States.

I would like to add more informally, Mr. Chairman, an expression of my feeling that this program is integrated with our general program, specifically our recent budget request of the Congress for some \$60,000,000,000. All of these matters have been considered together. At the present time I consider the foreign aid program of major importance to be done as quickly as it can be managed. It has tremendous importance—tremendous significance—and a great psychological influence on what happens in the world among our friends.

Chairman RICHARDS. Thank you, Mr. Secretary. We will proceed under the 5-minute rule now.

Concerning that last statement you made, I want to ask a question. You have a \$60,000,000,000 budget for our own defense establishment at home. You have a request here of \$8,500,000,000. Something over 6 million is for military aid, and over 2 billion for economic aid.

You testified very forcefully to the effect that you feel that the passage of this legislation is necessary, and a wise step in the interest of the security of the United States.

In your mind, Mr. Secretary, from the standpoint of security, how does this proposal compare with the \$60,000,000,000 budget request in importance? Would you say they are equally important, or is one more important than the other?

Secretary MARSHALL. With respect to timing I think this is the more important at the moment. Certainly it is hard to say that they are on equal ground or not on equal ground. As a matter of fact, I think this is the best answer I can give to your question: Both programs are part and parcel of the general plan, and they could have been put in a one-budget approach to the Congress. That, however, would not have been a favorable method of having them considered, because there is so much difficulty in making clear the various issues involved, and just what portion was foreign aid, and what portion was the \$60,000,000,000 program. They are all part and parcel of the same plan.

The \$60,000,000,000 program creates a reaction very specifically and naturally among the taxpayers. This bill does too, but \$60,000,000,000 is a much larger amount of money.

This particular bill will create a very impressive reaction all over the world among our friends. It is exceedingly important that they have the earliest possible assurance that we are going ahead with the general build-up plans. This is a part of these plans, of which the \$60,000,000,000 is a part. It is all, you might say, in the same fund because we are arming their men to fight in the common cause. I think we have to keep that in mind. The \$60,000,000,000 bill is in part for arms for our men. This bill is for arms for their men.

It certainly is common sense, I should think, that we carry out, or that we bring into useful employment, as much of the manpower of our allies as is practicable. That is greatly to our own advantage, that is, to the advantage of our own security, and it tremendously strengthens the situation of the free nations in the world.

All of that is involved in this, and further, I think you have to bear particularly in mind the tremendous psychological factor. Aside from the convenience of Congress in understanding the matter more clearly that would be one reason, for instance, to make this a separate bill. However, it might be lost if we would come in and ask for \$60,200,000,000, or whatever the exact amount is, which would be the approximate Defense Department budget, if these two are not separated, but they are all part and parcel of the same plan.

To put them into effect, the Congress has confirmed these treaties and our North Atlantic Pact procedure, and this is part of it. This enables us to go forward with that. That, I think everyone will concede, is of tremendous importance.

There are feelings, and I stated it very specifically in my formal comments, that some of the nations are not going forward as rapidly as we think they should, but even there I think we should bear in mind we are dealing with nations that have been under the aggressor's heel for years, and have had their wrecked economy to recover, and their spirit and their courage to revive. Their picture is quite different from ours in the human reactions. They have had great political complications, and I think gradually they have triumphed over all those difficulties. They are now at the crucial point, from which I think progress can be made far more rapidly than during the past year and three-quarters of organization.

Chairman RICHARDS. Then, Mr. Secretary, you feel from the standpoint of our own national defense that this proposal is just as important as the \$60,000,000,000 budget proposal itself?

Secretary MARSHALL. Yes, sir. It is part of the same plan.

Chairman RICHARDS. Dr. Eaton.

Mr. EATON. Mr. Secretary, I take it that your testimony is based upon the fundamental conviction that the whole world is engaged in a struggle between freedom, on one side, led by the United States, and slavery on the other side, led by Russia. Is that correct?

Secretary MARSHALL. Yes, sir. That is correct.

Mr. EATON. There are only two possible ways for us to go. One is for us to continue to fight until we win, and the other is to surrender and become enslaved. Is that correct?

Secretary MARSHALL. I am not trying to disagree with you, Dr. Eaton.

Mr. EATON. Can we exist half slave?

Secretary MARSHALL. We would find our way of life completely changed.

Mr. EATON. Our what?

Secretary MARSHALL. Our ways of life completely changed.

Mr. EATON. I have said your testimony is based upon the fact that we are facing one of the most serious moments in our history and the history of our world. Is that right, sir?

Secretary MARSHALL. I think it is one of the most critical periods of American history.

Mr. EATON. Yes. Thank you, Mr. Secretary.

Chairman RICHARDS. Dr. Morgan.

Mr. MORGAN. Mr. Secretary, in the testimony of the Secretary of State it was brought out that the cost of this program in the next 3 years would approximate over \$25,000,000,000. Do you believe that

the progress today of the NATO organization justifies this further investment?

Secretary MARSHALL. Yes, sir. I do.

Mr. MORGAN. Mr. Secretary, do you believe the admittance of Greece, Turkey, and Spain to this program immediately would add to its strength?

Secretary MARSHALL. I think it would. Of course, Greece and Turkey are recipient countries under this program.

Mr. MORGAN. That is all, Mr. Chairman. Thank you.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Mr. Secretary, may I follow up Dr. Morgan's idea a little? This is a tremendous expenditure of \$60,000,000,000, and the sum involved in this particular bill is \$8,500,000,000. I am wondering upon what basis you feel that the United States can stand the impact of that sum upon its economic life, remembering always that there are many other expenditures that have to be met.

Secretary MARSHALL. Mrs. Bolton, I think the financial and economic factors are of the greatest importance to us. In one sense we have not much choice. We are confronted by a situation. What are we going to do about it? Can our economy stand this further stretch?

Now, it is specifically for this reason that I exerted my efforts over a long period of years in connection with universal military training, because I felt if we did not have some such system we could never have an enduring system of defense, for we would be wrecked financially. So, my interest has been concentrated on so organizing our affairs in connection with our position in the world as to military posture, that it could be maintained through a period of years without ruining us financially.

Here we have a situation which, from my point of view, we cannot avoid. We have to do the best we can with it. What we have done is to conduct the most searching screenings abroad with these people, and here at home, to cut down all of the nonessentials we can locate, and in putting this in a form or in a manner that seemed best adapted to our general interests and security. However, I will repeat again that we have a limited choice unless we resign ourselves to a tragic situation.

Mrs. BOLTON. Do you feel that the country can take this truly terrible financial drain upon its resources.

Secretary MARSHALL. I feel it can take it, but I am quite certain it cannot take it indefinitely. That is one reason why when I was involved in the question of the European recovery program, I felt it must be put on a very definite basis of termination and no doubt about it. It has seemed to work out very well on that basis. I am told now—I am a very poor witness because I am not sufficiently familiar with all of the factors—but I am told now that except for Greece and Italy and one other country, they can pretty well get along by themselves.

Mrs. BOLTON. Mr. Secretary, you spoke of cutting down on non-essentials. I think that is one of the phases of this whole program which troubles a great many of us. We would like to see a more realistic approach to economy within the defense groupings of the United States. We do not like to find that blankets, for instance, are being sold as surplus at \$2, while new blankets and far better blankets than any of us have in our homes, are being stipulated as necessary at

twenty-odd dollars apiece for the new army. Why cannot the old ones be used?

One of the most responsible Members of the Congress told a group of us the other day that he has had the personal experience of seeing blankets being cut in two and then sewed together again by women employed for that purpose, so that they could be sold as surplus.

It is matters of this kind, Mr. Secretary, which reduce the confidence of the people in the whole defense planning. It is one of the reasons why some of the congressional group are determined on having cuts in the programs, because they feel that until the cut hurts, nothing will be definitely done about it.

Secretary MARSHALL. I would say, Mrs. Bolton, that this is a case where you must be very careful you are straight on both ends, that is, cause and effect, and particularly cause. You have expressed the term "Defense Department" two or three times. I do not think we are selling surplus property that has utility.

Mrs. BOLTON. Some of us, of course, had experience with the throwing away of matériel at the end of the war that we verified through the Department. We saw the utter wastefulness of it, and the utter, utter lack of any understanding of what it is to use what one has. It has left us with a very bad taste in our mouths for many of the things which are appearing today.

I mention this because I think it is exceedingly important that the Department of Defense become thoroughly aware of the attitude of the people of this country. They will not be willing to take on \$66,000,000,000 in that one item of expenditure alone unless they are certain that a great deal of it is not going down the drain or into the ocean, the way it did before.

Secretary MARSHALL. I will add to what I have already said, Mrs. Bolton. I do not know how many committees we have that are inspecting all over the country, trying to find where they followed the old conventional pattern of using more people than are necessary in doing this or doing that. Of course, we get a great many letters calling our attention to alleged wastefulness, and we also receive a great many letters from Members of Congress calling our attention to such matters. Each of us—Mr. Lovett and myself—has put somebody on the trail to find out just exactly what the true conditions are. I would say that 1 time out of 10 we find something that needs to be corrected urgently.

Mrs. BOLTON. The method of sale and the actual destruction of surplus goods has been a pretty bad business.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Mr. Secretary, it is good to see you this morning. Before I start I would like to say that I appreciate your posing for a picture with some of my good constituents and friends who are sitting in the back of the room. I hope I can get a copy of the picture.

I have one question, Mr. Secretary. Do you think there is a good chance that Europe can successfully carry most of the burden for the common defense of that area, considering both manpower and production, within the next few years?

Secretary MARSHALL. Well, of course, the first question is just exactly what do you mean by "the next few years." I have already stated that I think it will be advisable to recommend the appropri-

ation of a sum similar to that in this legislation for the 1953 and 1954 fiscal years. I would feel that there could not be a sudden drop-off at that time, but I do feel we will have accomplished all of the basic preparation, and I would hope we will have been able to arrange things so that the provisions as to raw materials and matters of that sort will be taken care of. We will have put recipient countries generally into production along these lines, and that maintenance could be very quickly taken over by those countries and thereby relieve us of that charge.

The eventual replacement of the major matériel that they probably would not be equipped to turn out will have to be considered at that time, but I should imagine we ought to get them into a condition where they can make that on a reimbursable and not a grant basis. It should be a phasing off.

I am going ahead with the feeling that we should be able to carry that out pretty rapidly. Of course, there are a great many imponderables and the situation changes from time to time. I am convinced that we cannot go on with this business indefinitely. That cannot be done. I am as convinced of this just as I was convinced that we could not go on with the ECA indefinitely, and that will not have to be done. I hope this works out on that same basis.

We are trying to consider the pros and cons very carefully and do it in such a manner in our agreements with them as to what we will do and what we will not do on the current supply basis, so that it will permit of the development of the situation along the lines I have indicated.

Mr. BATTLE. Is it true, Mr. Secretary, that there is a vast amount of manpower in Europe which will be available as soon as they can be equipped and supplied?

Secretary MARSHALL. Yes, sir.

Mr. BATTLE. This should relieve our burdens along that line considerably?

Secretary MARSHALL. It will, I hope, very much.

Mr. BATTLE. Thank you, Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Secretary, when you were testifying before us about 3 years ago, on the plan which bears your name, I asked you this question, and I bring it up because of the current negotiations or prospective negotiations with various countries regarding a cease-fire in Korea. I said:

If North China and Manchuria should be taken over and organized by the Communists, do you think our position in Korea will long be tenable?

You left out the word "long" in your answer and said:

It will not be tenable.

My question now is, if there is a situation where we and the Communists, including the North Korean Communists, and the one million or so Chinese, cease fighting in Korea, but they still control Manchuria, do you think it is possible for Korea to be secure and independent?

Secretary MARSHALL. Dr. Judd, I would say that to a considerable extent that is going to depend on our own state of power in the Pacific, and the status or military posture of the nations of the free

world. That is all involved in it. Geographically, Korea presents a very weak spot for defense by us and the other nations concerned.

Mr. JUDD. Or by itself.

Secretary MARSHALL. Well, by itself too. But I think there has to be taken into consideration what the situation is if we are powerful in the world. At the time I made that statement I think we had one and one-third divisions in the United States; and Korea, in my opinion, under conditions like that, was utterly untenable.

Mr. JUDD. If we are trying so hard to get out of Korea now, would you suggest we go back in—

Secretary MARSHALL. I am suggesting, Dr. Judd, that the chances of our having to go back in become very much more remote.

Mr. JUDD. Do you think the prospects of our going back in—

Secretary MARSHALL. I think, Dr. Judd, that a large part of the development of this Korean tragedy came from our weakness and the feeling in the world that we were weak and nothing would be done about it. From then on there came a great change in the attitude of the world, and our own position of strength, and that plays quite a part in the matter.

Geographically, as I said, there is a great problem of defense, but our own position of strength and that of the free world has a decided influence on what may or may not occur in Korea.

When you consider the subversive side of it and matters of that sort, that is quite a different problem.

Mr. JUDD. One of the reasons we are trying to get out of Korea and have been pursuing the Communists for months to try to get them to give us a chance to dicker with them is, I understand, in order to concentrate our strength in Europe, which is considered more important. If when we have greater strength, we move it to Europe, is that going to have much influence on events in the Far East?

Secretary MARSHALL. I think you have made a statement that a little overextends the situation. What we do not want to do is to commit ourselves on the continent of Asia any more than it is absolutely necessary that we should do.

Mr. JUDD. That is right.

Secretary MARSHALL. We are not talking about Japan at the present time, or places of that sort, but it is very unwise for us to have any serious commitments that may lead to greater commitments on the continent of Asia.

Mr. JUDD. You know that I have agreed with you on that for more than 3 years, and opposed sending our land forces where they are now.

What do you suppose the Communists in China are likely to be doing if they extricate themselves from their present difficulties in Korea?

Secretary MARSHALL. I think first they have to reorganize some armies pretty much from the ground up in order to recover some of the strength they had. I would hope they are going to have difficulties among their own people because of what has been suffered in this, although I realize their people learn very little about it except that their own intimate members of their families do not appear again, or do appear crippled. I think that while we need not expect an olive branch to be held out, we will be regarded with much more respectful consideration than we have heretofore.

Mr. JUDD. Do you not think that maybe one of the reasons they want to get out of Korea now, if they do, is so that they can reorganize their forces at home and also liquidate the increasing opposition there? Japan's great mistake was in attacking us before she had liquidated Chinese resistance in her rear.

Secretary MARSHALL. That would lead to the observation that we should not get out, and I do not agree with that at all.

Mr. JUDD. I am not trying to lead to that observation. I am trying to get your views because I know you must have considered all of the various alternatives and you are a military expert and I am not.

If the Communists get the opposition liquidated, as they probably could and would, and then a rebellion starts, say in Burma and they send a million Chinese "volunteers" into Burma, would you suggest that we organize a "police action" in Burma or urge the United Nations to go into Burma, and we be back on the continent again? Or would you let them take it?

Secretary MARSHALL. I would say at first they would be very hesitant to go into Burma, because they have had quite a lesson in Korea, and I think they would hesitate quite a bit before they would move into Burma, except by subversion and by methods of that kind.

However, what I would recommend on that I would not state here publicly anyway.

One of our difficulties is we are telling everything in the world that we think and are going to do, and we learn nothing whatever about the other side.

Mr. JUDD. And more often we tell what we are not going to do, which is even more dangerous.

Chairman RICHARDS. The gentleman's time has expired.

Mr. JUDD. I will be back later.

Chairman RICHARDS. All right. Mr. Zablocki.

Mr. ZABLOCKI. Thank you, Mr. Chairman. I have no questions.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. I am glad to see you, Mr. Secretary. I am one of those who has been opposed to many of the policies of the Administration, but I do respect you as a fellow patriot. I know you are doing the best you can for the United States. I am disassociating myself in my disagreements from people who are opposed to you in another fashion.

I would like to ask you about the fact that we need this military support abroad as well as the economic support that you had previously recommended. We have 7 percent of the world's population and we get a large part of the 65 strategic materials from abroad. Would you say it is necessary to the security of this country to have this program in order, first, to insure the defense of our shores; and, second, to insure that we have the sinews of defense, that is, the strategic materials?

Secretary MARSHALL. I would say that is correct; but, of course, you have to consider along with that, the factor of maintaining our friends in a free world. The fact that the great technical skills are there, and the manufacturing facilities are there, particularly in the Ruhr district, must be considered, and the fact that the loss of them to the Soviet regime would put our position with respect to matériel factors as well as to population resources in a very sad way. So, all of those things are involved, definitely. I am glad you brought out

the point that the strategic materials and the certain facilities that we are hoping to create in those countries for our use are of immense importance to us.

Mr. FULTON. In respect to Korea, might I recall to you that the thirty-eighth parallel happened to be an accident, because it was merely the method of taking over, as we all know, the adverse forces in North and South Korea. I wondered whether it would not be possible to disregard the talk of the thirty-eighth parallel if we are negotiating for a settlement and, rather, look at the best place where Korea might be held militarily and developed economically, and base our approach to it on that.

There is no doubt, I believe, that the best line would be, for example, at Tokchon, Anju, and Hamhung. That is a line from the west to the east along the waist of Korea. If that is the case, then in the part we would be holding there would be all of the northern industrial part of North Korea north of the thirty-eighth parallel, and in addition we would have a road across at the waist, running from east to west.

Now, on the other hand, if you take the thirty-eighth parallel and we retreat or move back from that, we then are left solely with the agricultural part of Korea that will not be able to support itself, because the industrial part will then be almost entirely in the North Korean part of it. The Communists hold that, and they will again subject to these pressures the thumbnail tip of Korea.

As between the thirty-eighth parallel as a line of demarcation, and a line that might run along the waist, solely as a military matter, could you tell us which would be the best to be held in the future for security?

Secretary MARSHALL. I think your analysis of the situation is very interesting. I take no issue with it, but I must say that I do not feel I should discuss here in open session a matter of that kind, at this particular time especially.

Mr. FULTON. I will not discuss that further. The South Koreans have certain reserves which we were talking about training and helping, numbering, I think, in excess of 100,000 men. Those reserves have been now in large part released. Why was that done? Why could we not train those South Koreans to help defend their own country and thereby relieve us of either asking for more troops from abroad or from supplying our own men?

Secretary MARSHALL. I would say in part when you use the word "reserves," that is a designation that was made politically in South Korea and does not quite fit the circumstances. That particular factor has been discussed, I think, quite frequently. So far as the military authorities are concerned on our side, it was felt to be both an impractical and unwise procedure. We were making every use we could of their people to the best effect that we could, it seemed, and I would not wish to state here in open session—

Chairman RICHARDS. Mr. Secretary, if you testify at all on that question, would you not rather testify in executive session?

Secretary MARSHALL. That is what I was going to say.

Mr. FULTON. I would be glad to have that done.

Secretary MARSHALL. It would be very disadvantageous to go into frank statements regarding that, except to say that the terminology used was a political terminology that did not fit the military circumstances.

Chairman RICHARDS. The time of the gentleman has expired.

Mr. Ribicoff.

Mr. RIBICOFF. Thank you, Mr. Chairman. I have no questions at this time.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Secretary, we are very glad to have the privilege of getting your views and opinions again. I am going to ask you a question. If you feel you would rather not answer it on security grounds, I know you will say so.

I gather from what you said in response to Dr. Judd that one of the limitations upon our freedom of action as to whatever we thought we would like to do with respect to the Korean situation, was our military inadequacy.

Secretary MARSHALL. That is correct, sir.

Mr. JAVITS. Therefore it is intimated now that we and the other free peoples may begin soon to proceed in terms of international guaranties of the inviolability of territory, because we will be able to back it up?

Secretary MARSHALL. That is correct, sir.

Mr. JAVITS. The arguments that have been made about the fact that we have not gone to the seat of the difficulty, that is, those who were fomenting this aggression, has been attributable to the fact that we could not militarily back up that kind of a big stick. Is that not a fact?

Secretary MARSHALL. That is a fact.

Mr. JAVITS. And as we get to the point where we can, we can deal more adequately with that situation?

Secretary MARSHALL. That is correct, sir.

Mr. JAVITS. Now, is the issue in this particular legislation, Mr. Secretary, whether we do or do not want allies?

Secretary MARSHALL. It amounts to that.

Mr. JAVITS. Is that the reason why the Secretary has said that this should be considered separately by the Foreign Affairs Committee—this issue? It is true we are going to be shipping to a large extent military end items, and that they will be a part of our total military end item production, which includes the \$60,000,000,000 appropriation; but it is a fact, however, we are putting these arms in the hands of people who are not United States troops and who are allies whom we must trust if we are going to arm them at all and that, therefore, that is a political and a diplomatic decision rather than a military decision?

Secretary MARSHALL. Primarily, yes.

Mr. JAVITS. So that as I asked Secretary Acheson I would like to ask you, too: Is it not a fact that this is the pay-off vote on the big debate? In other words, we are asked to decide whether we are to go it alone or have allies, and the Mutual Security Program represents saying that we want allies?

Secretary MARSHALL. That is correct, sir.

Mr. JAVITS. Would the Secretary care to make any statement through us here to the people as to the slackening off or the feeling that there might be a permissible slackening off in the whole defense mobilization effort in view of this talk of a truce in Korea?

Secretary MARSHALL. I am glad you asked that question because that is the most serious consideration that we have, or at least I have at the present time. I have gone through a great many of these slack offs. It seemed to me in the last war every time we won a success, beginning with Tunisia, I was in deep trouble back here on the question of civilian production, and things of that sort. It got worse and worse as we got on. This has had an immediate effect.

I am informed a great many, or most of the selective service centers around the country, are receiving letters from the young men to find out whether now they should report or not. General Hershey's office informs us they are getting a large number of the same sort of requests. In the Defense Department we are receiving letters from Reserve Officers under call who want to know whether now they should come forward.

Aside from the tragedy of the casualties, Korea is an incident in the world picture, and the indications at the present time in my opinion are that we should make greater efforts than we have up to date.

Mr. JAVITS. Would the General care to assign any reason for that in addition to what we all know to be the general situation, as to why we should make greater efforts than we have?

Secretary MARSHALL. Because the build-up, as we gather it, is rather ominous.

Mr. JAVITS. That is, the build-up on the other side?

Secretary MARSHALL. Yes, sir.

Mr. JAVITS. Make it more necessary for us, in more profound terms than Korea, to be even more prepared and vigilant.

Secretary MARSHALL. Yes, sir; that is correct, sir. I was asked a question a few minutes ago that led to what was going to happen when the Chinese Communist volunteers were released from Korea. One of the happenings I am worrying about is that we might relax as a result of this situation. That is the most serious consideration of all. How we meet that and how we meet that public reaction all of you can judge as well as I can, but it is very serious.

As I say, aside from the tragedy of the casualties, Korea is an incident, and the world picture requires us not only to continue to build up our strength, but I think in some respects to increase the effort.

Chairman RICHARDS. The gentleman's time has expired.

Mr. Burleson.

Mr. BURLESON. Mr. Chairman, may I ask what the plan is for proceeding?

Chairman RICHARDS. I should state that. Mr. Secretary, we are going to have to stop these hearings here in about 20 or 30 minutes because we have a great deal of legislation on the floor. I will say that the clerk is keeping check on the time, so that we will have time enough to get there.

Mr. Secretary, would you be available Monday at 10 o'clock?

Secretary MARSHALL. Yes, sir.

Chairman RICHARDS. Thank you very much. Was there any other question you wanted to ask?

Mr. BURLESON. No, Mr. Chairman. I will just try to be brief in my questioning.

Chairman RICHARDS. Yes, sir.

Mr. BURLESON. Mr. Secretary, at the bottom of page 3 of your statement, in the second sentence of the last paragraph you say:

The members have agreed to concentrate on the creation of balanced collective forces for the NATO area as a whole rather than attempt to build up in each country the forces deemed necessary for its own independent defense.

Now, Mr. Secretary, does that mean that the United States will give greater emphasis to one or possibly two branches of our services at the expense, let us say, of another?

Secretary MARSHALL. I can illustrate. No. We have asked them to agree to build this up in a balanced manner not with respect to one country, but with respect to the whole.

The best illustration I can give you of that is this: I would like this to be off the record.

Chairman RICHARDS. That will be off the record.

(Discussion off the record.)

Mr. BURLESON. From there, General, we could probably go into a discussion of the airfields in Europe, which probably you would not want to discuss in public hearings. If so, I shall reserve questions for executive sessions?

Secretary MARSHALL. That did not apply to that solution. For instance, we would not recommend to you that we appropriate money for a strategic bombing force for some nation in Western Europe when we have an adequate strategic bombing force to provide that defense or offense for all of them. So we do not want their money spent that way. At least, we would not contribute to that, and in the general agreement which has been reached in the NATO discussions it has been to the effect that there be a common development here with each one doing the part it could do best for the whole. That is difficult to arrange in a country, because each one wants a complete defense of its own, so you are asking them, in a sense, to surrender a sovereign right.

Mr. BURLESON. But as it affects our own set-up, we would also, as a member of the NATO set-up, be obligated to furnish a particular force which will not cover our entire forces. In other words, would we not contribute a specialized force, whatever it may be?

Secretary MARSHALL. Yes. We are committed along these various lines, but I am talking about our building up forces which had better be left to somebody else to look after. That means they have to depend on somebody else to use those forces in their defense, and that is a very hard concession to obtain from any country.

Mr. BURLESON. In executive session with the general, Mr. Chairman, I would like to have borne in mind that I would very much like to discuss this airfield situation in Europe.

Some time ago, as you remember, General, 10 days or 2 weeks ago, there was a newspaper article intimating that we intended to surround the Soviet Union with airfields. I thought it was a most unfortunate bit of publicity.

Secretary MARSHALL. I hope this is held in executive session, sir.

Chairman RICHARDS. We will go into that a little later.

Mr. BURLESON. May I ask this further question, Mr. Chairman?

Chairman RICHARDS. You have one more minute.

Mr. BURLESON. At the bottom of page 4 you make reference to the Middle East, particularly Greece, Turkey, and Iran. Now, you

speak of the improved conditions in Greece and Turkey, and of course we can hardly say there are improved conditions in Iran.

What do you think, Mr. Secretary, should be our view with reference to the aid included for Iran in this program?

Secretary MARSHALL. We are making no change in our program at the present moment. This is an affair of the moment, and we hope it remains of the moment. We should not change every instant something goes this way or that way. So we make no changes at the present time.

Mr. BURLESON. But it would have to be flexible enough so that we could make those changes on short notice and upon immediate decisions?

Secretary MARSHALL. Oh, yes. But, to come to a decision at this instant would be premature.

Mr. BURLESON. Thank you very much, Mr. Secretary. Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Chairman, I think the Secretary may want to correct one thing in his testimony as he presented it in written form here for the record, before it gets out too far.

On page 4, in the middle of the page, you have a statement:

All of the NATO countries, except Iceland which has no army, have compulsory military service.

I think you forgot Canada is also a NATO country, and Canada has no compulsory military service.

Secretary MARSHALL. Thank you very much.

Mr. HERTER. I thought you would want to correct that.

Secretary MARSHALL. We could add "in Western Europe."

Mr. HERTER. On page 2 of your testimony you give certain figures with respect to the tonnages that have been delivered under the Mutual Defense Assistance Program to various sections of the world. I am wondering if you could tell us just how those tonnage figures were arrived at? I do not mean in detail at all, but what the mechanics are within our own Government with respect to the making of the determination as to the sending of these end items to various countries.

In other words, does the process initiate in the Defense Department and then do you have to go through the National Security Council, or what exactly are the various steps that are gone through in determining what end items should be sent to what countries?

Secretary MARSHALL. The original calculations, of course, are made in the Defense Department. The general policy is one that is given confirmation in the National Security Council. Discussions then are held with the State Department as to the international implications of the procedure. Now we get down to the actual determination of what particular items should be included.

Now, as a rule the Defense Department's proposals have been preceded by examinations in the various countries, and we reach a conclusion as to how rapidly the unit can be organized, or will be organized to receive the aid, and matters of that character, which are outside of the purview of the State Department.

Our policy is not deliver to until they have the unit ready to receive, if it is a unit matériel requirement. Therefore, we go into

the question of will they be authorized to create the unit and in what time will they bring it into being, and then what should be provided for it.

Will you add to that whatever is needed?

**STATEMENT OF MAJ. GEN. S. L. SCOTT, UNITED STATES ARMY,
DIRECTOR, OFFICE OF MILITARY ASSISTANCE**

General SCOTT. The basis of the program, of course, is established by the Joint Chiefs of Staff, and the allocation of the funds is set up by the Joint Chiefs of Staff as to the amount for countries and the breakdown by the services.

Based upon the requirements of the Joint Chiefs of Staff the services prepare the programs. The programs themselves are then implemented and shipped in accordance with the priorities established by the Joint Chiefs of Staff.

Mr. HERTER. In effect then, the determination is made by the Defense Department in consultation with the other agencies of the Government from a political point of view, and from the point of view of preparations on the other side. However, the basic work all the way through remains within the Defense Department from the point of view of initiating the amounts that should go in making the final determination and in issuing final orders?

General SCOTT. The complete operating responsibility rests in Defense.

Mr. HERTER. And the question as to whom you consult is really a matter of the inner structure of our own Government?

General SCOTT. That is correct. When it comes to deliveries——

Mr. HERTER. But the full responsibility is within the Defense Department?

General SCOTT. Yes, sir.

Mr. HERTER. Thank you.

Chairman RICHARDS. Mr. Secretary, we have about 5½ minutes more, and I want to recognize a very fine Member of Congress who has been accused of riding to his office on a cloud every morning. If he gets up into the ethereal atmosphere, do not be surprised. Mr. Brooks Hays of Arkansas.

Mr. HAYS. Thank you, Mr. Chairman. With only 5 minutes left I have no opportunity for defense as to the cloud, but my feet are on the good earth this morning. I will reserve further comment on that for another time.

Mr. Secretary, on page 4 you say:

The United States has taken more positive steps to meet the dangers of our times than have the governments of Europe.

Then:

* * * some, for one reason or another, have not seemed to do all that they could do.

I assume that you do not mention them because mentioning specific nations would of itself tend to hold back the team spirit which General Eisenhower emphasizes. In other words, that is just one of the hazards of the way of life we are defending, is it not, to try to avoid recriminations, or tendencies to indict one of the team members?

Secretary MARSHALL. Yes, sir.

Mr. HAYS. I would like to ask you, however, if in the private councils or in the executive sessions, rather, everything is being done to bring up the nations that have lagged? Can we assure our people that this is a major effort of NATO?

Secretary MARSHALL. Very much so, and particularly at the present moment.

Mr. HAYS. Are there any official releases that would point up publicly the weak places? And does it become beneficial from the standpoint of the total effort to point to a specific lag? Are there any releases that point out where team members have lagged?

Secretary MARSHALL. I would not think so at the present time because really we are at the turning point right now. We are just at the point, I think, where the organization will begin to pick up momentum. My own opinion is that from now on we ought to gain speed rather rapidly, whereas up to now we have been moving very clumsily and very laboriously. When you have a set-up such as this you are at once involved in all sorts of complications of sovereignty and jurisdictional points. It is a long, tedious affair, as you know, in our dealings here, in reaching agreements within our own Government. Of course, with all of these various governments involved, and particularly with those who have a large Communist vote, which gives rise to much antagonistic propaganda and misleading statements, it is all very difficult.

I think now we are on the verge of getting started forward. I think General Eisenhower's problem up to the present time has been exceedingly difficult. He has carried it forward, I think, in a wonderful fashion, but he needs all of our backing now, and I think we can give it to him in a sufficient manner.

Mr. HAYS. I have used this analogy. It is a good deal like a football game. When we are out on the field, with the talk we engage in being listened to by the opposite team, we do not say much about the left end or the right tackle, but in the pep talks between halves—that is, our executive sessions—we speak of the weak places.

Secretary MARSHALL. That is all very frankly done.

Mr. HAYS. And we can have that assurance in this?

Secretary MARSHALL. Yes, I think you can.

Mr. HAYS. Thank you, Mr. Secretary.

Chairman RICHARDS. For the record, I would like to say, Mr. Secretary, we have to go to the floor now. We are on the second roll call. However, we will be privileged to have you with us Monday morning at 10 o'clock.

The committee stands adjourned until Monday morning at 10 o'clock.

(Whereupon, at 11:25 a. m. the committee adjourned until 10 a. m., Monday, July 2, 1951.)

THE MUTUAL SECURITY PROGRAM

MONDAY, JULY 2, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the Ways and Means Committee Room, New House Office Building, at 10 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

The Foreign Affairs Committee is continuing hearings on the Mutual Security Program. We have with us again this morning the distinguished Secretary of Defense, who will continue and complete his appearance this morning.

I believe Mr. Reece is the next member on the list. We will proceed with unlimited questioning this morning. Mr. Reece.

Mr. REECE. General, what is the total amount of the proposed armed services budget, direct and indirect, including contract authorizations, which has been submitted to Congress for 1951 and 1952?

STATEMENT OF GEN. GEORGE C. MARSHALL, SECRETARY OF DEFENSE (continued)

Secretary MARSHALL. The total of what?

Mr. REECE. I will repeat the question.

Chairman RICHARDS. Will the gentleman get a little closer to the microphone?

Mr. REECE. What is the total amount of the proposed armed services budget, direct and indirect, including contract authorizations, which has been submitted to Congress for 1951 and 1952?

Secretary MARSHALL. There is the \$60 billion budget. There is the \$6 billion and a fraction involved in this particular bill that we are talking about now.

You would not include the Atomic Energy Commission's—

Mr. REECE. No; I do not have that in mind.

Secretary MARSHALL. I will have to delay answering that a little bit in order that I do not forget some item.

There is a request for about \$10 billion, I think, in facilities, installations, airfields, and things of that sort, which is now under hearing before Congress. That would be a total of 60 plus 10, plus 6, or 76 and a fraction billion.

Mr. REECE. Do you know if there is any other contract authorizations?

Secretary MARSHALL. No, sir. I would have to check up on that. I do not think there are.

Mr. REECE. On page 2 of your formal statement you enumerate the matériel which we have furnished under the mutual defense program. But the statement does not indicate what the NATO nations have done to support the mutual defense program.

On April 4 the Senate passed Senate Resolution 99, asking the Defense Department to give a report to the Senate showing what each of the NATO nations had contributed in both matériel and men.

I presume a report has been made to the Senate. I do not know if it is public. I am wondering if you can furnish us a copy of that report.

Secretary MARSHALL. I do not think it has been published. I do not believe it has been made.

Mr. REECE. Would it be feasible or proper to give us that information?

Secretary MARSHALL. I should think so. I will have it checked; if such a report has been made, I will have a copy sent to your committee.

Mr. REECE. I should think it would be very material in connection with these questions that we are considering.

Have not our casualties in all the joint actions in which we have engaged with the European nations been comparable to those of any other nation in World War I, World War II, and in Korea, where we have had altogether, all types of casualties, some 150,000, and all of the other nations have had a relatively small number, some 10,000?

I recall when lend-lease was proposed before World War II, England said, "Give us arms and we will do the fighting." But it did not turn out that way. We did our share of the fighting and suffered our share of the casualties in both Europe and the Pacific.

I am wondering just what you had in mind now, and if you would care to comment on the implications of the statement which you made?

Secretary MARSHALL. My comment, sir, was made with direct reference to this particular bill, which furnishes matériel to be used by the manpower of other countries.

It was not intended as a general statement or to have general application. In answering the first part of your question, as to whether our casualties were comparable to those of other countries, I should say in World War II, and particularly in Korea, they were not comparable for in a good many instances they have exceeded those of other countries.

In the First World War, of course, we came in in the latter part of the struggle, after the Allies had suffered tremendous losses. And they continued to suffer very heavy losses because of the size of the forces they had engaged. Our losses, in proportion to our strength, were heavy, but in proportion to the whole, they were small.

But my statement was in reference to this particular bill. We had been discussing the monetary phases, the costs, and I made the point that what we were doing in this specific bill was to provide the means for the armament of the men, the manpower, of our allies to fight.

Under the NATO plans the European nations are contributing 80 to 85 percent of the manpower for the defense of Europe.

This bill relates very directly to that, because this is matériel of the character that they cannot readily produce or cannot produce in time.

It is for that 85 percent that it is directed.

Mr. REECE. Have the manpower allocations between the different NATO nations been made so that you can give an estimate of the manpower that each nation is expected to furnish in making up the 60 divisions which have been referred to as possibly being required?

Secretary MARSHALL. I would not like to comment on that in open session, or really otherwise, because that is part of our general plan.

We will say at this time that we have in the negotiations been endeavoring to have each nation make as large a contribution of manpower as it could manage financially and otherwise.

Mr. REECE. It is not expected then that more than the six divisions of our forces will be required in Europe?

Secretary MARSHALL. There is no plan at the present time to increase that number on a peace basis. If we were involved in hostilities, then the issues at the moment will have to decide.

Mr. REECE. One reason I asked that question is from the information I have—the information came in such a way that I could not make it public, and I would not think it advisable to do so—which indicated otherwise.

I did not know the extent to which that had been discussed. What is the total amount which it is anticipated the United States will be required to furnish to meet the deficiencies of the NATO nations before they can become self-sustaining or before the program is completed?

Secretary MARSHALL. I referred to that in my statement, which was to the effect that it could be anticipated that the amounts required in the fiscal years 1953 and 1954 would be as large as those for the fiscal year 1952, which for the military factor alone is \$6 billion and a fraction.

Taking into account the additional economic requirements, it would bring the total to a little over \$8 billion.

Mr. REECE. Then you would anticipate that the burden on us—if we should refer to it as a "burden"—would be somewhere around 20 to 25 billion?

Secretary MARSHALL. In the end?

Mr. REECE. In the end.

Secretary MARSHALL. Yes, sir. I must qualify that expression, though, because beyond that period we have the problem of how rapidly we can decrease our contributions, to what extent the European countries will have been developed, particularly in production facilities so that the entire maintenance and replacement phases can be carried by them without depending on us.

Mr. REECE. In your statement, General, you stated, and I completely agree with you, that the economic stability and military security taken together are the most dependable antidotes to communism.

I think you will agree that it is the policy of the Kremlin to achieve its objective first by using the technique of internal disruption, that is, of destroying the economic and social institutions of the country, and then if that fails, by resorting to external aggression when she thinks the time is ripe for it.

Since it is recognized—and I think this is generally recognized—that the individual liberty, the economic strength and the productive ca-

capacity of the United States is the greatest deterrent to Russia in starting another global war, is it not one of the first policies of the Soviet Union to see to it that the United States dissipates its economic strength and impairs its productive capacity by extending beyond its ability and spreading itself thin all over the globe?

I am wondering if the Defense Department has taken into account the impact this whole program will have on the entire strength of the United States, that is, how far we can go without exhausting our economic resources to the point where Russia might feel that we are ripe for them by subversion or otherwise move in for the kill, so to speak?

Secretary MARSHALL. I think the Defense Department has taken that into most careful and continuous consideration.

I might call your attention, or invite your attention, to the fact that last November and December I personally was under considerable attack for not asking for enough for our defense, and not viewing the situation as seriously as it, in their opinion, really was.

That feeling was very general in Congress, I am assured by men up on the Hill that should know. That feeling was represented very largely in the press, particularly in the magazines, and carried to the point of demanding my retirement, because I did not realize to the full the seriousness of the situation.

What I did see, sir, is just what you are talking about, that it was mandatory that we have some plan that would not break our backs financially, to use the actual expression that I employed at the time, because that was one way the Kremlin could win its advantage, and possibly a permanent advantage, without actually going to war.

That is the reason specifically that I pressed in every way I could, and am still so doing, the development of a procedure of universal military training.

I saw and see no other way in the word that we can have an enduring military posture without ruining us economically, which is one way to lose in this struggle against communism.

So, I think the record proves that I am very much aware of the consideration you have just been talking about. I am deeply concerned that what we do is along the lines that we can maintain. We must have an organized system that will permit us to sustain an enduring program. Otherwise it will be a complete failure.

Mr. REECE. Mr. Chairman, over the week end I took home a study that I found on my desk. I do not know by whom it was made. It is "restricted." I do not think it is restricted in the sense that it is highly classified.

But in going through this study relating to all the NATO nations, and some of the others that are closely associated with the NATO nations, I was impressed by one thing, the percentage of the budget of the national product of all these nations which was being used for defense. That ranged from 2 to 10 percent.

I do not think any of them went over 10 percent, which is, of course, a very much smaller percentage of their national product than is our defense budget which for the fiscal years 1951 and 1952 is about 25 percent of our national product.

That is what I had in mind when I asked the earlier question about our total defense budget for 1951 and 1952, which, as I recall, would run a minimum of about \$76 billion.

Has your Department estimated what percentage of the national product is embraced by this \$76 billion?

Secretary MARSHALL. Yes, sir; I think we have that data. I do not know if I have it immediately available here. The total security expenditures, including deliveries of military goods to our military forces and to our North Atlantic Treaty partners and foreign economic aid, are now running at an annual rate of about \$30 billion, taking about 10 percent of our gross national product. By the end of this year approximately 15 percent of our national output will be required for these programs, and the proportion may rise to a peak of nearly 20 percent in the year 1952.

During the next year or so it should be possible to cover approximately two-thirds of the output going into security programs by increases in our total output. After the programs have reached their peak—presently contemplated to be in mid-1952—further increases in output would go to strengthen the civilian economy.

Mr. REECE. But our budget is about \$76 billion for the armed services, excluding the atomic energy and the scientific work related to that activity. That would be a greater percentage than 15 percent, would it not?

It would be just about 25 percent on any estimate of national product which I have seen.

Secretary MARSHALL. The difference here apparently between what I am saying and what you are stating is one between the actual expenditures and the other between the appropriations.

The money is not spent immediately. Some expenditures lag over for 2 years.

Mr. REECE. The figures of the NATO nations to which I referred, as I understand, were budget figures which would be comparable to our budget figure of some \$76 billion.

Secretary MARSHALL. As to that, these other countries and their percentages, I think one has to keep clearly in mind that their situation, particularly those on the European Continent, that is excluding England, is quite different from ours, in that they are recovering from a devastating experience, both as to personnel and as to their installations of one kind or another in their countries.

Just as they are beginning to lift themselves out of that depression, there is imposed on them the necessity for building up a very heavy charge against their economies for purely military purposes.

So they are in quite a critical state. One of the members of your—I do not know if it was this Committee or the Armed Services Committee, but it was a composite group that went over to Europe—made what I thought was a very pertinent comment and is illustrative of what I am talking about now.

He was talking about a flat reduction in the standard of living in order to make up for the build-up in the NATO plan.

He put it this way: It would be quite unfortunate to make a flat reduction. He said in the United States a 5-percent reduction largely meant you would not have quite as much money to spend for gadgets; with the Western European countries it probably meant the difference between white bread and black bread, which is quite a different matter.

That illustrates a good bit of the problem we have. We have had to go into it very carefully with the ECA. Mr. Foster and his staff should be consulted for estimates as to just what burden those coun-

tries could carry without pushing them over the edge into economic collapse, which would be most unfortunate.

There is one group in the NATO organization, the Finance and Economic Board, of course, on which we are effectively represented, which is studying continuously the problems of the financial sharing of the over-all burden.

There you are involved in the factors that I just mentioned, and there are also involved the political questions which at times can be very serious, because of the large communistic groups in those countries. Considerable delay has resulted from waiting for the French election to come to a head and be completed. That has overshadowed a great deal of the build-up of the NATO organization.

I think at the present time we are reaching the point where we can proceed much more rapidly than heretofore.

I would like to refer again to this problem of economics and its effect on appropriations. It has been a matter of the deepest consideration in the Defense Department, and by me personally, to the point of my whole position being assailed, because in the opinion of a great many I was leaning too much toward matters of economics and not sufficiently along the line of a more rapid build-up of our military position. This bill represents a very important factor in that rapid build-up.

Mr. REECE. I am speaking about conditions in the other countries. I know too, as everyone is aware, that there has also been a very considerable change here in the last few years. As I understand it, the Defense Department, as Mrs. Bolton suggested the other day, is now paying \$20 for a blanket which was obtained during World War II for \$5 or less.

Secretary MARSHALL. Might I address myself to that right now?

Mr. REECE. Yes. Surely.

Secretary MARSHALL. I looked into that. It was largely a question of reminding myself of conditions. I find that there have been blankets made up by sewing pieces together, and I find they were the end of the bolt, where there is not enough for a full blanket. Those pieced blankets have been sent to Greece. However, I was also reminded of the situation in which this whole problem developed. It was one of tremendous pressure by the people and by the Congress for rapidity of demobilization, which did not permit us properly to look after the supplies which were on hand.

There was also great congressional pressure brought to bear, which I had forgotten, to release to the civilian market many of these supplies, like blankets, because there were shortages of all such items, all of which went to or led up to the fact that tremendous quantities of supplies were completely abandoned in the jungles of the Pacific; and in this country they had to be disposed of as quickly as possible, because there was no one left to look after them.

Blankets, for example, require storage and require protection against moths, and they require individuals to look after them. That was made impossible in this extremely hasty demobilization.

I found out this morning from my assistant here, Colonel Beebe, who was then a general—we brought him back from the Southwest Pacific to help in expediting the demobilization—and he reminded me that he had to report to the War Department every night as to how fast they went through the procedure of individual discharges, in order

to meet the demands of the Congress for daily information. The disposal of surplus property under those conditions was one of the considerations in my mind when I mentioned to Mrs. Bolton, that I thought one had to consider very carefully the cause when judging the effects.

Mr. REECE. I did not have in mind in my queries the method of disposing of surplus property so much as I did in comparing what a blanket costs now and what it cost in World War II, showing that there has been a very great change in our economic situation here, and indicating that we have progressed a considerable way up the inflationary spiral. We may be reaching the point where the atmosphere is pretty rare.

It was stated by members of the Ways and Means Committee when presenting the last tax bill that some of the experts had said that this tax bill was scraping the bottom of the barrel and it was reaching into the last tax resources without going to a sales tax or manufacturers' excise tax.

I am one who feels the economic situation of this country is reaching a dangerous position and we may not be so very far from the precipice. As you stated, and as I think is generally accepted, our economic strength and its resulting productive capacity is the last bulwark, the last strong bulwark against communism so far as the free governments are concerned.

Do you feel concerning these other NATO nations that there are any of them that could not make available more than 2, or 3, or 5 percent of their national product for defense purposes under the circumstances, when we are doing such a very, very large share?

Secretary MARSHALL. We are making quite an effort to do just that at the present time, and an extra effort that has been developed during the last few weeks. I have here a note to the effect that the average European defense budgets are 160 percent pre-Korea.

Mr. REECE. What is your view as to whether Turkey, Greece, and Spain should be admitted to the NATO?

Secretary MARSHALL. I would like to see them in NATO.

Mr. REECE. Another thing I was impressed by was the study which was made which analyzed the situation in all the countries, but had nothing or no information whatever about Spain. Spain is one country that inherently seems to be against communism and when one needs help and is receiving a gift horse, the old saying is you do not look in his mouth. We are taking that same attitude with reference to NATO and the Yugoslavian Government. I am not expressing any disagreement with that, but Spain is occupying a very strategic position geographically. It is composed of a citizenry that has demonstrated it has a will to fight. It has shown it is violently opposed to communism, both from an ideological viewpoint and a religious viewpoint.

Do you not think we ought to find some way of utilizing the resources and the position of Spain in this effort? Of course, I realize their army may not be well equipped, and it would be necessary to modernize their army with a great deal of equipment. I wonder what your views are on that.

Secretary MARSHALL. I have already stated I would like to see them taken into the NATO organization. This Government has not been opposed to that procedure. It has been a matter of the posi-

tion of our allies and their political setup which has presented a very serious difficulty. While the situation remains in that state it would be ill-advised to force the question of bringing them in because it might actually upset certain governments. That would be a very serious matter. I think the affair is moving toward a solution, but the trouble has been political in other governments than ours.

Mr. REECE. Now, Mr. Chairman, I have other questions here which I think are of such a nature that they should not be asked in an open meeting. If the general does not mind my handing these questions to him I would like to have them answered before we go into executive sessions.

Chairman RICHARDS. The chairman will state that either the Secretary will be given an opportunity at executive session to answer those questions, or if it is satisfactory to you and the Secretary, if you will present them to him, he will furnish the answers to them.

Mr. REECE. I would be very glad to.

Chairman RICHARDS. Mr. Secretary, would you mind furnishing those answers as it in executive session, to the gentleman from Tennessee?

Secretary MARSHALL. Yes, sir.

Chairman RICHARDS. Is that satisfactory, Mr. Reece?

Mr. REECE. Quite so. I feel kind of a bond of sympathy with you, General. After the people were kind enough to send me to Congress in the 1920 elections you came to my office very soon after I took office, and as I recall you had the grade of captain. Perhaps you were a major, but I believe you were a captain. I have followed your career since with a great deal of interest. A great deal of water has gone under the bridge since that time.

I recall, Mr. Chairman, some people were unkind enough to say of me then that I was too young to come to Congress and now they are unkind enough to say that I am too old.

Chairman RICHARDS. The Chair does not agree with that last statement at all.

Secretary MARSHALL. I suffer from the same complaint.

Chairman RICHARDS. It is unanimous then. Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

Mr. Secretary, on the premise that assistance will be considered for the Yugoslav Government. There is great concern over the advisability of giving heavy arms in place of light arms to that country. This concern is based on a statement made recently that that country could be taken over by Russia at any moment. On that basis it might be better to give them light arms in order that they could retreat to the hills. Could you tell us if there is any change in this condition from last year?

Secretary MARSHALL. It would be very difficult for me to make an answer here in open session.

Mrs. KELLY. Oh, I am sorry, Mr. Secretary.

Secretary MARSHALL. On a question as delicate as that, because we have been in negotiations with that Government.

Mrs. KELLY. I am sorry, Mr. Secretary.

Secretary MARSHALL. It would be under pretty difficult conditions, and I do not believe I could state an answer here. I would be hesitant even in executive session. All of those matters have been taken under very careful consideration.

Mrs. KELLY. Thank you, Mr. Secretary. I have greater fear over the new, nationalistic, communistic governments like Yugoslavia than I have over the Russian-controlled governments.

Secretary MARSHALL. You said you had greater fear?

Mrs. KELLY. Greater concern over this new surge of nationalistic, communistic governments that are arising throughout the world, for instance, to a degree in India, and the type of Tito control, and possibly a combination of the Baltic States, than I have over this Russian-dominated communism. In the light of that, due to the patriotic feeling that the people have toward their main government, do you think that we have that to look forward to in the future, or should discard it at this moment?

Secretary MARSHALL. Apparently you find a great many trends in Europe, particularly along that line, certainly of a socialistic inclination. The build-up of this particular development you are speaking about is apparently a fact. How continuous that would be I do not hazard an estimate on at this time; and as to its general effect in comparison to the procedure of the Soviet regime in its effort toward world domination, that involves intricate considerations.

Whether or not it might in time be included, that is, that development be included in the Russian effort in the end, or whether it would break down this effort of world domination with one focus of power in Moscow, I do not know. We have the difficulty of the French Government with a very heavy communistic vote. There is a considerable Communist vote in a good many other countries. All of which requires a gaze into the future that is a little beyond me at the moment. I would not want to hazard an opinion.

Mrs. KELLY. Thank you, Mr. Secretary. I want to apologize for even asking military questions or military strategy. I believe in leaving them to you.

Secretary MARSHALL. Thank you.

Mrs. KELLY. Thank you.

Chairman RICHARDS. Mrs. Bolton, I believe you wanted to ask a question.

Mrs. BOLTON. Thank you, Mr. Chairman.

Mr. Secretary, you just said you had refreshed your mind on some of the earlier happenings, and I wondered if you would solve a question, or answer a question, which I have never been able to get actual factual information about. When an army is demobilized, who gives the orders, that is, the original orders for demobilization? Is that the Chiefs of Staff, is it the President, or from where does that order come?

Secretary MARSHALL. It comes, of course, from the President, presumably. I am just trying to recall what the instructions were at the time. It was the expression of the President's view in the matter that dominated, but the pressure as to rapidity and completeness, I think, came from up here.

Mrs. BOLTON. May I just suggest this, because I think in great fairness to the Members of the Congress that there are a great many of us who were entirely out of sympathy with that order. The first thing we knew was that it was done and men were being brought home. Then the pressure came, of course. When a man with so many points from one side of the street was home and another one with the same number from the other side was not, the question arose as to why was

he not home. Naturally, we inquired, and naturally we wanted to know on what basis this was being done. However, there were a very great many of us who felt and still feel that one of the worst things we have ever done to the world was the rapid demobilization of the strongest Army the world has ever seen.

I cannot help but feel a little disturbed when at this time, now, the blame is put upon the Congress for it. The order was issued before we had a word to say about it. Am I incorrect in this?

Secretary MARSHALL. I do not know how you could say you were surprised by this, because I remember personally I was called before Congress and I talked about an hour and a half covering the whole situation. Then had officers explain every detail of the only system we could conceive of to handle the matter.

Mrs. BOLTON. But the order had been issued by the Executive.

Secretary MARSHALL. In the first place, we had to discharge a certain number of men—and you spoke of the point system—because they were not needed.

Mrs. BOLTON. All right.

Secretary MARSHALL. Will you let me finish the answer, please, Mrs. Bolton?

Mrs. BOLTON. Yes, indeed, General.

Secretary MARSHALL. We were transferring troops from Europe to the Pacific, and we did not need all the men that we had in the ranks at that time. Therefore, some system had to be evolved which would determine how the discharges should take place. After studying all conceivable proposals that came forward, the point system was worked out. There may have been a better system, but nobody yet has ever demonstrated it to me.

The reactions you mentioned are natural reactions. If your boy does not come home and my boy does come home, that cannot be settled in an ordinary way, but we endeavored to find what was the best manner in which actually to do it. So the point system was developed and was explained in broadcasts, and in releases, and was explained by me personally and in my presence by the man who had principal charge of it to all the Members of Congress who desired to attend.

That presentation to the Congress was in a sense required of me by the Members of Congress. I went through that procedure.

Now, in the middle of that—and please keep this in mind—in the middle of that, before we had gotten well under way in this complicated transfer, which involved complete reorganization of the troops in Europe and the movements necessary to go out to the Pacific, and the furloughs which were insisted upon by public demand for the men going to the Pacific, the Japanese surrendered. That reversed all our arrangements. The better the plans were for the transfer to the Pacific, the worse they were for the immediate problems of demobilization. The men in this country who had been moved out of Europe were the last ones who should have been discharged. Yet, they were in this country and the other men were in the Pacific. The transportation facilities were limited, of course, in consideration of the vast numbers of people involved.

So we then became involved in trying to handle a situation that we had not entirely foreseen, that is, that the Japanese would surrender

at the moment that they did. The shock of the atomic bombs had precipitated the surrender.

As a result we had a confused, a very confused situation. We had the men in the Pacific now who were appealing for immediate release. Certain of their numbers who craved publicity took the stand and had a great deal to say of the rabble-rousing variety. This added to the confusion of the situation.

Now, from then on the pressures were tremendous from Members of Congress.

Mrs. BOLTON. May I just interrupt to say I quite understand that part of it, but I am asking you about the original order. You said it was determined there was no further need for these men. By whom was that determined?

Secretary MARSHALL. That determination was developed by the War Department, and to the extent it related to the problem, by the Navy Department, although they had heavier demands in the Pacific; and that was approved by the administration.

Mrs. BOLTON. Exactly. That is what I want to bring out, because the most unfortunate thing that ever happened was that we were not able to speak with material strength to a country that understands nothing but power.

Secretary MARSHALL. I do not think that applies, Mrs. Bolton, because the number of men we were letting out in proportion to the whole was not a very considerable number.

Mrs. BOLTON. How rapidly were the armies let out? As I remember it, very rapidly.

Secretary MARSHALL. That extreme rapidity developed with the Japanese surrender.

Mrs. BOLTON. But we had absolutely no conscience about leaving the whole matter open.

Secretary MARSHALL. We are leaving in Europe a considerable number of troops.

Mrs. BOLTON. Not enough to make any impression on the Kremlin.

Secretary MARSHALL. Oh, yes.

Mrs. BOLTON. I fear I must disagree with you, General. If we still had them we didn't use them intelligently for the Russians walked into one country after another.

Secretary MARSHALL. Because the demobilization went ahead and appropriations were reduced. My last appearance. ---

Mrs. BOLTON. But we of the Congress did not order the demobilization.

Secretary MARSHALL. Well, as your appropriations decreased, your men decreased.

Mrs. BOLTON. The Executive order did the demobilization, and that is all I wanted to bring out, Mr. Chairman. This has needed saying for a long time, Mr. Secretary. Inasmuch as you renewed this criticism of the Congress it seemed to me an important moment to clear the record once and for all and have it clearly stated that the Executive and not the Congress was responsible for the demobilization order.

Chairman RICHARDS. The gentlewoman should allow the Secretary to answer a question.

Mrs. BOLTON. I am sorry, Mr. Chairman, but I did not want the Secretary to repeat over and over the things he had already stated of which we are all very aware. I wanted to save his time.

Secretary MARSHALL. I will rest my case there, Mrs. Bolton.

Mrs. BOLTON. I am happy to rest mine there too.

Chairman RICHARDS. Is that all?

Mrs. BOLTON. Yes. That is all for now.

Chairman RICHARDS. Mr. Secretary, I want to ask a question here, but before doing so I want to make a statement for the record.

In regard to your service to your country I want to say that there are few men who have filled so many positions of military and civil responsibility, and few in positions of leadership who have accomplished so much as you have for your country. I think that is generally acknowledged, although you are getting some pretty hard knocks around here in some places now.

Mrs. BOLTON. Mr. Chairman, could I echo that?

Chairman RICHARDS. Yes. Certainly. The gentlewoman echoes that.

Certainly not the least of your achievements is the plan that you promoted for the welfare of this country, which was the so-called Marshall plan, which I think you proposed in early 1947. At that time I remember distinctly when the fight came up in Congress that this committee was under the very able leadership of the distinguished gentleman from New Jersey who sits at my left. It was during a Republican Congress. He led this fight in this committee for the Marshall plan.

Mr. EATON. I hope the reporter will take that down.

Chairman RICHARDS. I am just recapitulating a little there. The succeeding Democratic Congress carried that plan along.

As I understood it, when the Marshall plan was first proposed it envisioned a 4-year program. It was written in the original Economic Cooperation Act that in the opinion of Congress this plan should end on June 30, 1952.

I will not elaborate upon the Marshall plan's accomplishments. I think every thinking person, and everyone to whom I have talked, has admitted that if it had not been for the Marshall plan, Europe would probably be in Communist hands now. It cost a lot, but just think of what that would have cost the United States in the matter of the necessary build-up of our defenses in the face of a situation like that. When we get to talking about the money which it costs you have to speak from a comparative standpoint.

Mr. Secretary, do you not think that there should be written into this act a termination date for economic aid to Europe at the end of this fiscal year, that is, June 30, 1952?

Secretary MARSHALL. That there should be written into this particular act a termination date for the ECA?

Chairman RICHARDS. For the ECA, as such.

Secretary MARSHALL. As of July 1, 1952?

Chairman RICHARDS. That is right.

Secretary MARSHALL. It would seem so to me. Of course, Mr. Foster could give you more detailed information than I could possibly give, because that involves a good many considerations.

My understanding at the present time is that except for Italy and Greece, and possibly one other country, that it could be almost suspended now.

Now, what particular effect that would have on those two countries I mentioned and one other—I think it is Austria—as to the termination of it in the summer of 1952, I do not feel that I am sufficiently informed on that to reply.

I felt all the time, and I said a great many times in speeches I had to make while I was president of the Red Cross when I would be perpetually approached by the press in regard to this European recovery program, that I thought it should terminate as planned in 1952. I have been very much relieved to find that as to most countries it seems it could be terminated practically now. The reduction merely to three countries I think is quite a remarkable state of affairs.

However, I would rather that Mr. Foster would give you the detailed report on what he thinks would happen in connection with those countries I have just mentioned.

Chairman RICHARDS. Of course I know—and I think I brought it up the other day—I know when you come to talk about military aid and the economic production for military use to carry out this program you have a transitional stage that has to be worked out. However, I think in view of the understanding of the Congress and of the people of the country, and as I understood it, the author of the Marshall plan's expressed viewpoint when the plan was first inaugurated, I think this Congress should in good faith show that economic aid as such—and I am not talking about aid as related to this military program—is terminated as of June 30, 1952. I believe it should be written in there.

Secretary MARSHALL. I think that is probably the case, sir.

Chairman RICHARDS. Are there any questions on this side?

Mr. JUDD. Yes, Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Thank you, Mr. Chairman.

General Marshall, you say that we "must give economic aid in varying sizes for the individual nations for various purposes." The first one is "to support rearmament programs among nations which might become impoverished if they had to depend solely upon themselves." Do you think there is much danger of the United States becoming impoverished?

Secretary MARSHALL. I think unless we have a very sound basis for our defensive arrangements that we could reach an economic crisis.

Mr. JUDD. You admit, or, do you agree that there is a rather narrow aisle that we have to walk in between what is necessary for us to spend to provide for our defense and the line beyond which we dare not go without becoming impoverished?

Secretary MARSHALL. I think that is the case, but I would like to add to that what I have already said a number of times. The basis on which we lay our military strength is the most important factor in relation to costs. I am hoping now that we are working toward something that will put us in a reasonable position where we can maintain our state and not beggar ourselves economically.

Mr. JUDD. Suppose that the country and the Congress felt that to avoid becoming impoverished this program had to be cut by, say, 15 percent. If that were the case, and that will be governed not by what I believe here or what you believe, but by what the majority believes, would you recommend that that 15 percent be taken totally from this foreign-aid program, or totally from our own defense program, and the equipment and training of our own armed forces, or cut pro rata from both of them?

Secretary MARSHALL. I do not know about the pro rata part, but I think both programs would have to be considered and specific items considered, rather than a flat, across-the-board cut.

As I said the other day, this is part and parcel of our general plan.

Mr. JUDD. Yes. There is no question about that. I want to ask you this question: Do you think that this amount of money, \$6,200,000,000, for example, can be spent during this coming fiscal year wisely? That is, has there been achieved a momentum which will permit us to spend wisely and to good advantage that amount of money in this country?

Secretary MARSHALL. There has not been achieved at this moment the momentum, but I think we are going to secure that momentum in a very short time.

Mr. JUDD. Within this coming fiscal year?

Secretary MARSHALL. Yes. I think so.

Mr. JUDD. You see, the difficulty comes from this: When the bill was before us 2 years ago it was said we had to appropriate almost a billion dollars right away, or everything would go to rack and ruin. Well, we appropriated it and now, 2 years later, only half of it has been delivered. That kind of experience causes many people to wonder whether this is not bigger than we can wisely spend.

What I am trying to get at is: Is this your irreducible minimum, or is this a padded figure, so that if there comes a cut you still will not be hurt?

Secretary MARSHALL. I will say that in no way is it a padded figure. It has been pared down as much as we felt it could be done, and still accomplish our purpose. I would like to make this observation. I got these figures on the rate of expenditures and the rate of commitments to contracts since I became the Secretary of Defense, and I immediately went into an investigation of why it took so long. I found in the first place it is a very complicated set-up by law. It took a great many preliminary arrangements under the terms of the law before you could make the commitments. It took almost 6 months to get at some of the factors concerned in the matter. It is not a simple business at all.

Each country had to be taken by itself, and there had to be arrangements and agreements there, and reports back here, and a great many different things gone into before, under the terms of the law, we could make the contract.

Now, I think we have gotten by that most complicated aspect of the matter, and I feel what we are going into is a practical proposition so far as this next fiscal year, or the present fiscal year is concerned, terminating next July. I feel that the commitments can be made. Of course, the expenditures will not be made in toto because they carry on for quite a considerable period of time, some of them 2 years. So that it is a practical proposition and a very necessary proposition.

The previous delays, I think, were largely due to the extremely complicated requirements of the law, and our dealings with a great many different nations.

Mr. JUDD. And it required a certain amount of months in the beginning to get the basic decisions before anything much could be spent.

Secretary MARSHALL. I am not taking exception to the complications of the law, because they were probably necessary as a beginning, but when the implication is made that we were so slow with that and we would be equally slow with this, I do not think that is the case.

Mr. JUDD. Another question that comes up is this: In all this program of training and building up the armed forces for the defense of Europe, their target of armed forces in being is only about half of what we as one nation are planning to have under arms. That is a little hard to explain. Their target is less than 2 million, and ours is 3½ million.

Secretary MARSHALL. The total, up to 1954, is 5 million on their side. I was trying to find out what the total expectation is up to July 1952. I think it is around 3 million—about 60 percent.

Mr. JUDD. Are you speaking of all countries that are not under the Communists, or of the NATO countries?

Secretary MARSHALL. NATO.

Mr. JUDD. That is very different from the figures that were given us. If there is a difference of opinion on this point, probably it ought to be gone into in executive session, rather than here, because all of us who were in Europe got a different figure from that.

That is one of the things about which we raised questions. We recognized our country's obligations in other areas besides Europe, but why were we called upon to put almost twice as many men under arms as were all these nine Western European countries? Iceland has no army.

I should like to have that checked into carefully, along with the figures that have been given us.

Secretary MARSHALL. Suppose I make a report to the committee?

Mr. JUDD. All right.

I did not intend to say this, but I will. I want to associate myself with much of what Mrs. Bolton said, because it is not accurate for the general impression to go out that Congress was hammering at the administration to demobilize. There were many Members of Congress who were not. I said the week after Hitler died that if we did not get firm commitments and settlements with the Soviet Union, and arrangements for taking care of any violation of those settlements, while we had 4 million men in Europe, I did not think we would ever be able to get them.

I am willing to say right now, when the pressure is on again to cease fire in Korea under almost any terms in order to get American boys home, that my concern is that we get American boys home under circumstances where they can stay home, and not where they come home and have to go right back again because there wasn't a real settlement but only a chance for the enemy to start greater trouble elsewhere. That is what we opposed in 1945 and what we believe we foresee right now is likely to happen again. It is tough to have to say, Do not yield on an inadequate settlement, when it means American boys do not get home and may mean some lose their lives, but I believe we have to do it, when it is in the interest of our country and of their own ultimate security. Many Members of Congress, no matter how unpopular it is, will go down the line on that issue.

Secretary MARSHALL. I agree with you on that, Dr. Judd.

Mr. JUDD. You have said, I understand, in hearings over in the other body, that you felt it was essential to our security in the Pacific that Formosa not be taken over by the Communists.

Secretary MARSHALL. Yes, sir.

Mr. JUDD. Now, suppose we have a cease fire in Korea. It is advantageous to the Communists to get a cease fire because they

know once a cease fire occurs, our morale sags, as you spoke of the other day, and there is the tendency to forget everything except to get the boys home. Now, what if the Communists say in the negotiations, "We have a temporary cease fire, but we cannot enter any agreement or make peace unless you give us Formosa"? Do you think we should then go back to war again rather than let Formosa go?

Secretary MARSHALL. I think you brought up the cardinal point in the first part of your question. Assuming all these men are taken back to the United States and then we reach the decision. They are to be over there while we are trying to reach the decision.

Mr. JUDD. Yes. I know they will be over there, but I remember the Nazi propaganda that was so effective with the French. "Are you Frenchmen going to die for Danzig?" I remember when Japan was going south into Indochina, and some of us were trying to warn about what that meant to our security. There was a town down there called Dong Dang, and all the Communists here said, "Are you going to send American boys over to fight and die for Dong Dang?" Now the line will be, and I think it has already started, "Are you going to have American boys' lives sacrificed for Formosa?"

I tell you, I do not think we ought to underestimate the pressure that will develop. The Communists are gambling that once they can get the fighting stopped, we will surrender almost anything rather than resume it, even though we have our troops there in Korea.

Secretary MARSHALL. Of course, the contrary to that is not to stop the fighting until we have everything settled.

Mr. JUDD. Yes. I recognize that.

Secretary MARSHALL. I agree with you as to the pressure. That will be very great and may be built up to a point that will be exceedingly hard to resist. I have lived through some of that so I bear some scar-flesh as a result of it. It is a very serious matter.

I think the greatest factor toward our success in doing what we have set out to do is a display to the world of a determination to go through with our plans. That is one reason why I would like to see this legislation passed. I would like to see nothing done that would in any way seem to reduce our effort to build up our strength at the present time. I would rather be inclined to think we should make some motion to increase it further, though I dislike thinking of that in terms of budget. However, there should be no doubt whatever in the world's mind that we are determined to be strong enough to stand up in this present crisis in the world's history.

How we would best go about that is a matter of judgment, of course. It is a matter of political reactions, but I think if we settle down to the consideration that we are all Americans and we are determined to see that this thing is done, on a very simple basis such as that we can win through.

Mr. JUDD. I agree with that. The key thing is determination. The Soviets have no illusions as to our strength. What they are gambling on is our softness or what they believe to be our softness. They do not underestimate our capacities. They are confident that they can confuse us with their usual techniques and make us fail to see what are our essential interests, and appeal to our love of comforts and our desire to be at home and at peace, which are all so commendable and understandable.

Another reason why I bring this up today is because you yourself have had more experience with cease fires with Communist forces than perhaps any other Caucasian in the world, because you were in China when the Chinese Government under pressure agreed to cease fire at a time when it had an overwhelmingly advantageous position. The cease fire allowed the Communists to go into Manchuria, when it was in a position to block their going into Manchuria. Who came out on top at the end of the cease fires? Who gained more as a result of the cease fires?

Secretary MARSHALL. Quite evidently the Communists did.

Mr. JUDD. Is it not true that they had about 60 counties at the beginning?

Secretary MARSHALL. About 60 what?

Mr. JUDD. Sixty hsien or counties, and at the end of the fourth cease fire they were in control of a little more than 300 counties. They expanded their area five-fold during these periods of cease fire.

Secretary MARSHALL. I do not know what the exact figures are, but their expansion was a fact.

Mr. JUDD. The fact that you saw the disastrous results of what was done there in good faith should alert you—I am sure it has alerted you—to the possible pitfalls and should be of great assistance to our Government in a moment like this to prevent our falling into the same kind of trap that the Chinese Government fell into.

Secretary MARSHALL. There is more to be said about that.

Mr. JUDD. I realize that.

Secretary MARSHALL. Quite a bit more, Mr. Judd. A lot of that would not have occurred if there had been more effective action by the Government itself.

Mr. JUDD. That is right.

Secretary MARSHALL. I am not talking about the final collapse, but I am talking about at those times.

Mr. JUDD. But you recognize that the Communist objective was to exploit those weaknesses in the Government?

Secretary MARSHALL. There is no question but what they exploit weakness.

Mr. JUDD. Surely the weaknesses were there. It was our job to assist with them, but the Communists were more successful in exploiting them than we in overcoming them and they managed to gain their objective. Now the same maneuver is occurring in Korea. Surely they have not given up their goal of world conquest, and their first objective is getting control of Asia. Therefore, their strategy is to try to exploit weaknesses on our side here at home and in Asia now, just as they successfully exploited weaknesses then in China.

Secretary MARSHALL. I would say to that they had some difficulty in exploiting it because there has been a decided kick-back in this affair. Something was gone into quite obviously by Communist direction, and it did not work out as they intended. Now the question is how to settle that.

Mr. JUDD. They are like a man sailing across a lake. He runs into a head wind. First he tacks this way, and then that way. They tacked this way first—the attack on Korea—and did not get across, but they have not given up. They are now tacking in another direction with another tactic—cease fire—which they hope will be more successful.

Secretary MARSHALL. Another tactic or another tack?

Mr. JUDD. Another tactic.

Secretary MARSHALL. Or did you say another tack? Which was it you said? I did not understand.

Mr. JUDD. It would be a new tack, which is a tactic.

Secretary MARSHALL. "Attack" is the word?

Mr. JUDD. I said another tack—t-a-c-k—which you do when you are going across a lake in a sailboat against the wind. However, it was a tactic designed to achieve the same objective. They are still determined to get across the lake. I suspect there will shortly be another attack by another means than the direct frontal attack by force that did not work out so well. Where they do not succeed by a direct assault, they will give it up if they think they can make more headway by an assault elsewhere or by a flanking movement of subversion or the psychological approach which has been their No. 1 and most successful technique.

Now, my last question: Do you believe that the independence of Asia is essential to the independence and security of Europe?

Secretary MARSHALL. Certainly a Communist Asia with the vast numbers of people which would be involved would not be conducive to the build-up of strength under our conception of what the world should be. I do not think it would be fatal to the defense in Europe. I think it would have an adverse effect in connection with the defense of Europe because it would release that much of Russian attention from the Pacific regions for free movement in the west of Europe.

But your question covers pretty much all of the water front, Mr. Judd, and you could write a lengthy monograph in reply.

Mr. JUDD. I realize that, but it is the key question, because there is no justification in arming ourselves and spending billions for Europe if failure to keep Asia independent will jeopardize it to the point of perhaps causing failure to the whole program.

Secretary MARSHALL. I said the other day I thought we should not become involved in fighting on the mainland of Asia, and that remains my view. I think that is the view of practically everybody, certainly in the Armed Forces, who has studied the question of availability and the spread of effort. So that would stand, in any event, as a point of view.

Mr. JUDD. That is right.

Secretary MARSHALL. Now, you are approaching the thing from this angle. If you accept that as a fact or a reasonable estimate, then the question is how do you manage to prevent the subversion of all Asia in its conversion to communism? That is something else in the way of the Soviet Government's efforts. However, that would mean to me that the defense of Europe is really one question that should not be dimmed by our difficulties in the Pacific.

Mr. JUDD. It should not be dimmed?

Secretary MARSHALL. I mean, that we should not lessen our efforts for the defense of Western Europe because of the Pacific.

Mr. JUDD. No. I agree with that, but I think we should do all the things that are necessary in order to succeed in Europe, and in my judgment finding means of keeping Asia out of the Communist fold is just as essential to Europe as it is to send divisions there.

You say we do not want to get involved in land fighting in Asia, and I think I have urged that probably longer than any minor figure in our

country as far as I know. But if we do not succeed in getting the people of Asia to resist Communist expansion effectively, then we either have to intervene ourselves or let it go. Since we don't want to intervene and cannot afford to let Asia go, there is only one conclusion: We must more resolutely and successfully and resourcefully find means by which we can help these people themselves to resist it. Is that not right?

Secretary MARSHALL. I think that is right. However, I think there, from the military point of view, we have to consider very carefully the whole chain of islands that faces Asia.

Mr. JUDD. That is right.

Secretary MARSHALL. That is a very important factor in the strength of our position in the Pacific, and the final development's one way or the other on the continent of eastern Asia.

Mr. JUDD. But in view of China's size and central location and the whole history of the Far East, do you think it is probable we will be able to keep Asia independent if the Communists succeed in getting their hold in China completely consolidated so that they are free to move in any direction out from China?

Secretary MARSHALL. I think, of course, that would complicate the problem very greatly. It is one of tremendous difficulty in any event, even under the best conditions we can visualize at the present time.

Mr. JUDD. Let me put it the other way. If we do not find means of helping those Chinese who are anti-Communists stop Communist expansion there, where will we be able to stop it in Asia? How will we be able to stop it? At what cost will we be able to stop it? And with what will we be able to stop it? That is the \$64 question I am always troubled with.

Secretary MARSHALL. That is one of the great problems in the free world today, Dr. Judd.

Mr. JUDD. Because I do not want Americans fighting over there, but I am just as sure as anything that if we do not succeed in enabling Chinese to stop communism, then we will have to use Americans later at infinitely greater cost, and wreck our own defense program and the European program too. Therefore, the only alternative is that somehow we must find means of developing the resistance we know is there. The sentiment in China 2 years ago was for the Communists. Now we know it is against the Communists. We must take advantage of that rebound. We have a few months before they get the organized opposition liquidated. That may be a reason they want a cease-fire in Korea. With imagination we have to find a way to prevent that, because if we can loosen the Communist's hold in China, and break the momentum of their drive, and prove to the people of Asia that its victory is not inevitable, and show that it is not invincible, as we have done to a great extent in Korea already, there is a real chance we can break the immediate Communist threat in the whole world. Asia is the place where we can perhaps accomplish most for our whole world program with the least cost and risk to ourselves.

The weakest spot in the Kremlin's set-up today is the mainland of China, I believe. To me, attention to that is even more urgent than Western Europe at this particular moment.

Mr. REECB. Will the gentleman yield?

Mr. JUDD. I am glad to yield.

Mr. REECE. You were on the subject of a cease fire. I know in many of these questions basic policy matters come into consideration, but it would seem that if there was ever a military matter, the question of a cease fire and the conditions under which a cease-fire order may be promulgated is a military matter. First, the safety of our Eighth Army is involved, as well as many other larger questions to which the gentleman has referred. It would be very gratifying to me certainly, and I think to other people, if we had complete confidence that no action on the cease fire would be taken unless it met the judgment of the members of the Joint Chiefs of Staff, as well as General Ridgway and General Van Fleet.

Secretary MARSHALL. I think that is the case, sir.

Mr. REECE. I am not referring now to the final consent of the Joint Chiefs of Staff, but to their judgment.

Secretary MARSHALL. It is being handled as a military problem.

Mr. REECE. Thank you.

Chairman RICHARDS. Does any gentleman on this side have any questions?

Mr. HAYS. Mr. Chairman.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. General Marshall, I bring up a point not to indicate any doubt as to your position, because I think you made it clear in your main statement the other day—and I am quoting your language now—

The United States is taking more positive steps to meet the dangers of our times than have the governments of Europe.

That can be stated as an objective judgment certainly, without creating irritations between us and our allies, but there are certain implications in questions that have been asked today that I think are not supported by the present policies of European governments. I bring it out for that reason.

I would like to have this confirmed. In spite of this generalization that I have just quoted, is it not true that in terms of sacrifice, in restricted food items, and in allocations of other necessities that impinge on living standards, the sacrifices of free Europe are still in excess of America, and would be if the full amount requested were voted?

Secretary MARSHALL. I think that is correct, sir. The standard of living is very much the case.

Mr. HAYS. And that does become a factor in the decisions of other NATO countries as to their contribution because of political and parliamentary situations that develop, and because there is a limit beyond which the most devoted government of Europe cannot go in asking sacrifices in the total defense.

Secretary MARSHALL. That is correct, sir. I am in agreement with you on that.

Mr. HAYS. Mr. Secretary, I have heard you quoted to the effect that on a certain date the Korean War had cost \$34,000,000,000, and that \$7,000,000,000 of that sum was attributable to increased costs since the Korean aggression began.

Secretary MARSHALL. I do not recall the first statement because one of the great difficulties we have had is trying to distinguish with any degree of accuracy for Congress the actual cost of the Korean

War, where we have to separate things that would have been involved anyway from those that took place because of the actual fighting in Korea. However, the \$7,000,000,000 I did state, I recall that quite clearly. It was the amount of dollar value in purchases that we could not make because of the rise in prices after we had made our calculations and secured the approval of Congress for the expenditures.

Mr. HAYS. So that the necessity for firm policies with reference to inflation continues, does it not?

Secretary MARSHALL. Yes, sir. Very much so.

Mr. HAYS. I have one other question, Mr. Chairman.

In spite of the Communist propaganda with reference to the United Nations and the assertions that the North Atlantic Pact is a departure from the United Nations, it is true, is it not, that every step we have taken and every step you urge upon the Congress now is in accordance with the spirit and the letter of the United Nations Charter?

Secretary MARSHALL. I think that is the case, sir.

Mr. HAYS. That is all.

Chairman RICHARDS. Mr. Secretary, before calling on Mr. Herter I want to call the attention of the witness and his assistants, and also the public—of course the committee knows about it—to the fact that this committee has made a special study of the Strategy and Tactics of World Communism. That study was made under the leadership of Mrs. Bolton from Ohio, who was chairman of the subcommittee. I cannot recommend that too highly to people who do not understand the tactics of communism. That is House Document 619, Eightieth Congress.

Mr. Herter.

Mr. HERTER. Mr. Secretary, in connection with the draft of the bill that we have before us, which I understand is in tentative form, there are a number of things that are a little vague which are left in it. For instance, the overhead costs of the operation are not in any way stated. In fact, as the draft appears, the entire amount can be used for overhead. That is, the entire \$8,200,000,000 can be used for overhead if those who are administering the program saw fit to use it all for overhead.

I am wondering if it is possible for you to get figures from the Defense Department on the amount of overhead that you think would be required to service, let us say, the end-item program alone.

Secretary MARSHALL. I think so, sir.

Mr. HERTER. Good. Then the second thing is transportation costs. There is no indication anywhere as to who pays transportation costs in connection with end items. For instance, on what you are sending to Indochina today, does the United States pay all the transportation costs, and the same with regard to Turkey, and the same with regard to other NATO countries?

Secretary MARSHALL. I think that is the case, sir.

Mr. HERTER. Could the transportation costs of all those items be segregated likewise in general terms?

Secretary MARSHALL. Yes, sir.

Mr. HERTER. The third thing is, we have had some testimony overseas in respect to the great value of training a certain number of foreign military personnel in this country. There was, of course, no

reference to that anywhere in the document itself, but you must have made some calculations as to how much money you want to spend on that.

Secretary MARSHALL. Yes, sir. That was done. I will have a report later.

Mr. HERTER. Could you give that to us as a separate item?

Secretary MARSHALL. Yes, sir. I will have that done.

Mr. HERTER. I appreciate that very much.

Chairman RICHARDS. Are there any other questions?

Mr. HERTER. Mr. Chairman, I am wondering if the Secretary, while he is here, would be willing to say something about the value of the training of foreign military personnel in this country. It has not been touched on at all in any of the testimony, and I think it might be desirable for you to give us your views for the record. I feel that is important.

Secretary MARSHALL. It is not only important, but it is essential, and I think about 12,000 have either completed the training or are in the process of being trained at the present time. Is that not correct?

General SCOTT. Yes.

Secretary MARSHALL. And that is a most important factor. It is not only a question of familiarizing them with the management and the functioning and also the upkeep of this material and these weapons, but it also goes into the practices that we think are more efficient in the organizational handling of the men.

Of course, the more we have a common doctrine, the better off we are. The training of these men and bringing them into this country, and all, builds up indirectly that same common thought as to these various matters, and a better understanding of ourselves and of our methods. It is a very important factor and, as I say, it is an essential factor of this program.

Mr. HERTER. Thank you.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Thank you, Mr. Chairman. Mr. Secretary, we have, pending before this committee, a bill that was passed unanimously by a subcommittee of which I happen to be chairman. It is a result of a study we made on east-west trade. Of course, the Congress, and the American people, and the Executive, and all of us, are very anxious to make sure that we do not do anything to build up the Communist war machines that in turn will kill our boys.

General Eisenhower recently told us, on this visit that some of us made to Europe a couple of weeks ago, that we should be very careful in working out this complicated problem as it would not be sensible for us to cut off our nose to spite our face, so to speak, in cutting off all trade, because Western Europe is dependent on certain items, like coal, timber, grain, and so forth, that come from behind the iron curtain at the present time.

You would agree, however, would you not, as I am sure General Eisenhower agrees that there must be some workable system of controls by the United States and by our allies on these strategic shipments behind the iron curtain?

Secretary MARSHALL. Yes, sir. I think that is the case.

Mr. BATTLE. At the present time we are operating under what we call the Kem amendment, which was attached as a rider to the third supplemental appropriation bill. As I understand the Kem amend-

ment, it is effective so far as the United States is concerned only when we are at war under the direction of the Security Council of the United Nations. I think most of us realize, and I believe that the Kremlin realizes, that they made a grave mistake when they boycotted the Security Council at the time the decision was made to go into Korea.

In case war broke out in some area other than Korea, for instance Germany, is it safe or practical to have a policy on east-west trade that is based on the assumption that Russia would walk out of the Security Council again? Is it safe for us to depend on her not using the veto, knowing that the veto would prevent action by the United States under the Security Council of the United Nations.

From my own point of view, and I am sure most of us agree, we cannot predict what Russia is going to do, so it seems like it is not safe to assume that Russia would walk out again and not use their veto. Would you agree with that?

Secretary MARSHALL. That would seem to be the case with me.

Mr. BATTLE. Also the Kean amendment, as I understand it, seeks to cut off economic assistance to any benefactor nation which ships war materials behind the iron curtain.

In the foreign-aid legislation pending before our committee at the present time I believe about 70 percent of the assistance deals with the military. In the future then, do you not think it would be practical and that we should include our military assistance as well as our economic assistance in any system controlling shipments behind the iron curtain?

Secretary MARSHALL. That would seem so to me.

Mr. BATTLE. Relative to the east-west trade problem, I have mentioned the fact that Western Europe is dependent on Poland for coal. I further understand that Poland is beginning to be a little more harsh in the terms of her trade agreements, demanding more in return, especially in the way of strategic materials.

Would you not think it practicable from a military point of view to be thinking in terms of possible alternative sources of supplies, on such important items as coal, for which we are dependent at the present time on countries behind the iron curtain?

Secretary MARSHALL. We are already thinking of that, sir.

Mr. BATTLE. That is all, Mr. Chairman. Thank you very much.

Chairman RICHARDS. If there are no further questions, the Chair wishes to state—

Mr. REECE. May I ask a brief question, Mr. Chairman?

Chairman RICHARDS. Mr. Reece.

Mr. REECE. What progress are you making on the standardization of arms?

Secretary MARSHALL. On the standardization of arms?

Mr. REECE. Yes. The standardization of arms.

Secretary MARSHALL. It is a very slow job. We are making considerable progress. For instance, we are making considerable progress with Canada. As a matter of fact, they have transferred part of their arms of British manufacture and their own local manufacture to one of the Western European countries, and are replacing it with arms that are purchased in this country. That makes quite an advance.

In relation to Latin America, we are making small advances.

This procedure that is going on under this present program we are discussing here is bringing about an approach to that same question. Of course, we are in a predicament where we cannot discard large numbers of weapons, but the replacements and the build-ups are along the lines of standardization.

Mr. REECE. That is all.

Chairman RICHARDS. Mr. Secretary, this will terminate your testimony, as I understand it, in open session. You have been very patient and very frank, and the committee fully understands there were some questions that you felt should be answered, if answered at all, in executive session.

If we should desire later to have you testify before this committee in executive session, we hope that you will be able to come.

Secretary MARSHALL. At your desire, sir.

Chairman RICHARDS. Thank you.

The committee stands adjourned until tomorrow morning at 10 o'clock.

(Whereupon at 11:58 a. m. the committee adjourned until 10 a. m. the following day, Tuesday, July 3, 1951.)

THE MUTUAL SECURITY PROGRAM

TUESDAY, JULY 3, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the Ways and Means Committee room, 1102 House Office Building, at 10 a. m., the Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

We will continue hearings this morning on the Mutual Security Program. We are privileged to have with us this morning Mr. Harriman.

Mr. Harriman, do you have a prepared statement?

Mr. HARRIMAN. Yes, sir, Mr. Chairman; I have a brief statement.

Chairman RICHARDS. Will you proceed, please.

STATEMENT OF HON. W. AVERELL HARRIMAN, SPECIAL ASSISTANT TO THE PRESIDENT

Mr. HARRIMAN. Mr. Chairman, ladies and gentlemen of the committee, I appreciate the opportunity to testify again before this committee. I have a brief statement underlining the broader aspects of the Mutual Security Program which in my opinion make it a vital and integral part of our security policies.

I first want to reiterate what I have said to you before: that I still believe it is possible that another world war can be prevented, providing, and perhaps only providing, we give the essential inspiration and leadership to the free world, and that we act with wisdom and vigor, and, above all, consistency of purpose.

As the threat of Communist imperialism has unfolded, our country has supported unprecedented policies and programs which have been successful in thwarting in many areas the Kremlin's aggressive designs. Your committee has played a notable role in developing and carrying through these policies and programs.

I believe we are now in the acute phases of the struggle. The effort that our country will be required to make, including our own rearmament program and the program for mutual security, will be very great, particularly for the next 3 or 4 years.

If we carry out these programs effectively and are successful in preventing a general war, we can look forward to a tapering off of our domestic expenditures and a sharp reduction in our foreign assistance.

The greatest part of our own effort and that of our allies will be to build the necessary military forces in being and trained reserves, and to produce equipment needed for both. When this build-up has been

completed, the annual cost will be very much reduced. Thus, our intensive efforts in the next few years will be in fact a capital investment in security.

The Kremlin respects nothing but strength. I believe firmly that when we and our allies are strong enough we will find an entirely different political situation in the world.

Confidence will replace fear among the free countries. The Kremlin will find that it must adjust its policies, and the processes of disintegration may begin behind the iron curtain.

To arrive at this situation, however, will require our carrying out all of the security programs that we are now planning—the development of our own military strength, aid to help our friends and allies rearm, and an economic program for an expanding economy in the free world.

There would be only disaster if we attempted to “go it alone.” Our associates can develop military forces exceeding our own in manpower, but these forces cannot be effectively equipped without our help.

These nations have not the industrial capacity or the economic resources to produce in time all the weapons necessary for modern warfare.

We must bear in mind that we produce industrially as much as the rest of the world put together, including the Soviet bloc. By a relatively small investment on our part to help a few other free nations, a vast addition to our own and to world security can be attained. To me it is untenable that we should deny our own fighting men the benefit of well-equipped allies, should trouble come.

The Kremlin has at its command in Russia and its satellites only a small fraction of the industrial capacity of North America and Western Europe. It has been estimated that the gross national product of Russia and her European satellites totals less than \$100 billion.

In spite of their pretensions for peace, the Kremlin rulers are forcing their enslaved populations to produce for military purposes at the expense of what we would consider essential civilian needs in a manner utterly unthinkable in free countries.

They are exploiting their European satellites by bringing down the standard of living of these unhappy peoples to that of Russia. They are increasing the military forces of these satellites and diverting output for Soviet use.

If they had succeeded, as I believe they thought they could, in taking over continental Western Europe through subversion during the economic chaos of the early postwar years, they would have more than doubled the industrial resources at their command. By applying the same system of exploitation to these countries, they could have developed military strength of staggering dimensions. We would at best have been forced into the total mobilization of a garrison state and, at worst, faced with an unmanageable situation.

These designs were thwarted by the Marshall plan. And now through the North Atlantic Treaty we have vigorous allies who are working with us to develop and combine our mutual strength in a common effort to make the free world unassailable against external aggression as well as internal subversion.

Had it not been for the new rearmament effort, the Marshall plan would have accomplished its purpose, in all but a few countries with

special difficulties, within the 4 years as planned, and at a cost of several billion dollars less than originally estimated.

Continued economic and technical assistance in Europe is now required on a much reduced basis to make possible the realization of its military potential, and at the same time to sustain a sound economic base from which increased total production can be developed.

Military strength alone cannot win this basically ideological struggle. The only solid foundation on which to build security is economic development—a free-world expanding economy.

Otherwise, we would be building on quicksand. An expanding economy is essential to bear the cost of adequate military forces for defense, and at the same time give hope to freemen for a better life.

The industrial countries can increase their production if adequate raw materials are available. We in this country know that shortages of raw materials now limit our total production. The same is true in Europe. We must work together to increase production of essential raw materials in the underdeveloped countries. This will have the double value of making it possible for the industrial countries to expand their economies, and at the same time improve conditions in the underdeveloped areas.

But it is not enough only to expand raw-materials production in the underdeveloped areas. Their vast populations are engaged largely in agriculture. We must help them to increase their food production.

I know you are familiar with what has already been accomplished with our help in some of these countries. The underdeveloped countries need our technical assistance and capital under the broad concept of point 4.

This country is the principal reservoir of capital in the world. It should be our policy to encourage as far as possible the flow of private capital to contribute to the needed developments.

At the same time, investments must also be made through the World Bank and the Export-Import Bank in those projects which are not appropriate for private financing, such as improved transportation, power, irrigation, drainage, and so forth. I hope that the Congress will approve the recommendation for the addition of \$1 billion to the lending authority of the Export-Import Bank.

The Mutual Security Program includes some grant funds for economic development and technical assistance. The increased earnings of the countries producing raw materials makes it possible for them to finance a considerable part of their development needs.

However, there is real need for the grants that have been requested, to set in motion increased production and to help create conditions favorable to sound future international investment. It is planned that the administration of grants and of loans by the Export-Import Bank will be closely concerted to achieve the over-all objectives.

The reports by Mr. Gordon Gray and by the International Development Advisory Board under the chairmanship of Mr. Nelson Rockefeller have made a valuable contribution to our understanding of the problems of the underdeveloped countries and their interdependence with ourselves and the other industrial countries. These reports bring out clearly the dependence of our economy for its life and expansion on the development of other parts of the world.

We are almost wholly dependent on imports from overseas for such raw materials as manganese, tin, natural rubber, chrome, asbestos,

cobalt, crucible graphite, industrial diamonds, hard fibers, and a number of other metals vital to military production.

We also require very large imports of other basic metals, including copper, lead, zinc, tungsten, and uranium, as well as other products such as vegetable fats and oils, and wool.

A part of this Mutual Security Program is directed toward expanding raw-materials production abroad. The bulk of such expansion is to be privately financed, or promoted through Government loans and purchases for stockpiling or resale for military and other industrial production.

Some of the development projects in this program, moreover, are for transportation and other purposes directly related to strategic-materials development. In the underdeveloped areas generally the program is designed to help create political and economic conditions making possible expanded raw-materials production, and assuring their continuing availability.

We cannot expect political stability under the conditions of misery that are so widespread. The false promises of communism have already made alarming inroads, and it is clearly essential that we help in showing that real improvement in economic conditions can only be obtained in a free society. This requires cooperative policies and actions on the part of all free nations.

A danger which overhangs us all is that of inflation. Like an infectious disease, it spreads from country to country. We must not only combat inflation at home but work with other countries to combat it on an international basis. Inflation has already caused great difficulties in the rearmament effort of Western Europe as well as in our own.

Perhaps the greatest danger of all is the danger of relaxation. Already with the hope of an armistice in Korea there are those, in my earnest judgment, who are asking whether we cannot reduce our efforts.

Relaxation can only lead to disaster. I believe that the United Nations action in Korea has been a crucial step in preventing another world war.

The main purpose of our greatly enlarged rearmament program, however, was not to fight the Korean War but to develop strength rapidly to prevent a world war, and to be prepared should it be forced upon us. If we were to relax now, the sacrifice of our men in Korea might have been made in vain.

I believe that the Kremlin considers the attack on Korea as a major blunder. They expected to attain an easy victory, demoralize the United Nations, and discredit American leadership.

Not only has this plan failed but the aggression in Korea has aroused our country and our allies to undertake greatly accelerated rearmament for defense. The Kremlin would like nothing better than to have us think that we can safely relax now while the Soviets continue to build their military strength.

The Kremlin is convinced that free society cannot organize itself for survival, and that free nations cannot remain united. The Kremlin always seeks to divide the free countries, and we must be ever on our guard.

This is the moment when the United States must take the lead in going forward vigorously with all the security programs on which we have embarked.

I earnestly believe that we are today facing a supreme test—whether we are prepared to make the present-day efforts to assure our security and the continuing growth and vigor of a free society.

Chairman RICHARDS. Thank you, Mr. Harriman.

You stated in your testimony that we could not afford not to make this investment proposed here. We have had an economic-aid program, the Marshall-plan program, that has been going on now for about 3 years. According to the proponents of the measure and also the Congress itself, it is supposed to end officially at the end of June 30, 1952.

We have a military-aid program that should run at least 3 or 4 years.

Do you think at the end of that time the United States can get out of the picture and these people can stand alone?

Mr. HARRIMAN. Well, the termination or the tapering off of the Marshall plan and the beginning of the greatly enlarged NATO military program have greatly overlapped each other. Now, there are certain functions which have been done by the Europeans and by ourselves in working with them, which I think should continue during the period of intense military rearmament, which I understand has been estimated for the next 3 years.

The economic organization of the Europeans, the OEEC, can make a valuable contribution in working together to break the bottlenecks of production in Europe and to help the Europeans help each other in expanding their economies to take care of the added load they must carry in their industry.

By the same token, a good many of the similar types of production negotiations we are engaged in in the conduct of the Marshall plan should continue in order to make it possible for us to work with them on the military program.

In addition, our technical assistance should continue.

We were helpful, as you remember, in stimulating increased productivity in Europe, and both industry and labor now in Europe want our help to show how they can increase their productivity, which would make it possible to carry a heavier rearmament burden. Those functions, many of them, although they are directed in a different way, I believe should continue during the period of the rearmament effort. The form in which you do it is, of course, for others than me to decide.

Chairman RICHARDS. Do you think, sir, that the military-aid part of this program is just as important to the defense of the United States as an authorization for the defense of our own forces here?

Mr. HARRIMAN. That is what I tried to bring out in my testimony, sir, and that is what I earnestly believe.

Chairman RICHARDS. Thank you.

Mr. HARRIMAN. I believe for a relatively small sum, as I said, we can perhaps, if we have the time, double our security by giving aid to our associated countries, both those in Europe and adjacent thereto.

Chairman RICHARDS. You think that taking into consideration the financial and economic condition of the United States and the danger of inflation here, that nevertheless this is a good investment?

Mr. HARRIMAN. I believe so; most earnestly so.

Chairman RICHARDS. Thank you.

Mrs. Bolton.

Mrs. BOLTON. It is delightful to have you before us again, Mr. Harriman. We always enjoy having you here.

Mr. HARRIMAN. Thank you, Mrs. Bolton.

Mrs. BOLTON. You just said that for a relatively small amount—

Mr. HARRIMAN. I meant relative to our own expenditures.

Mrs. BOLTON. Oh, I see.

Mr. HARRIMAN. I meant relative to our own expenditures.

Mrs. BOLTON. Because \$8,000,000,000 looks pretty big, and \$6,000,000,000 looks pretty large.

Mr. HARRIMAN. I meant relative to our own. I am glad to be corrected.

Mrs. BOLTON. You feel that this country can take the \$66,000,000,000 that is going to be required for our military and for foreign military equipment then? After all, your knowledge of the country from a businessman's angle has been considerable.

Mr. HARRIMAN. As you know, all of that \$66,000,000,000 is not spent in 1 year. A good part of it is for authorizations that lap over into other years; but I certainly do. We have, of course, three times the gross national product per capita as Europe. We have industrial capacity that is three times as great, and I believe that we can, and I also believe if we can get the raw materials and basic materials we can expand our economy faster than would be the case without this program, so that in a few years I think we can catch up with it and carry what is needed.

Of course, if we do not get into war, why, this will be a period of intense effort for 2 or 3 years, and then a very sharp tapering off after we get the capital equipment for the forces abroad and at home, and the trained men.

Mrs. BOLTON. Would it seem to you that in order to do it we would have to curtail some of the altruistic programs on which we have been spending a good deal of money for the past 20 years?

Mr. HARRIMAN. If you take altruism, I think, in its literal sense, then I think we must continue the same programs, that is, the programs which contribute to the security of the free world and, therefore, our own security. The programs that are included in the recommendation are to develop political and economic stability in those areas of the world where we have a great strategic interest, not only because of geography, but because of the raw materials on which we are depending.

If we can learn any lesson from Iran it is that we must see that the people of the country where we want to get the benefit of their subsoil wealth for our use—that those people must also get a benefit and get a feeling that they are participating in the advantages that are coming to us.

The sums requested are relatively small for the underdeveloped areas. It would require technical assistance for them, including public administration; but I think you are familiar, so I will not go over it again, with what has already been accomplished. These operations give promise for very real success in showing people how they can improve their production and give them some hope for a better life.

Mrs. BOLTON. I am particularly happy to have you bring up the Iranian matter because we have had some discussion of it, and Mr. Judd made a very fine statement yesterday and previous thereto relative to the fundamental problem that must be faced in Iran,

which you have just mentioned; namely, that the people have the right to more of their subsoil wealth, and that it is just that which they are fussing over.

More than that, it even goes to the recognition of them as free people, as nationals with a right to a voice in the Iranian Oil Co., which they have so far not been able to have, and the recognition by the British and the rest of the world of their importance as individuals and as a general human problem.

Mr. HARRIMAN. I very much agree with you.

Mrs. BOLTON. That would be your very clear understanding of it?

Mr. HARRIMAN. I very much agree with you, Mrs. Bolton.

Mrs. BOLTON. You spoke of the raw materials on page 2 of your written testimony. You said something about the fact that the industrial countries can increase their production if adequate raw materials are available. That is near the bottom of page 2. There has been recent comment that America has been taking all the raw materials, that there should be a pool of raw materials, and that there should be a way of distributing those fairly to produce the best over-all results.

Has anything been done along that line at all?

Mr. HARRIMAN. Yes. There has been established international machinery which is now in operation. It is not quite a pool, but an analysis of the availabilities and the requirements of the different countries. Committees have been set up of producing countries and consuming countries, so that there can be a fair division of the raw materials and, of course, I hope we are arriving at more reasonable prices in some cases. That is in operation now, and others can testify better than I can as to the details of these operations; but I believe that is a very important subject, because we want to see that everyone gets his fair share, if there is a deficit. On the other hand, we must work together, which I believe we are through ECA in Europe, and directly on our part in other countries, to increase the needed raw materials, so that we can expand industrial production here and in Europe.

It is only by an expanding economy that people in a free society will be able to carry this load. I tried to bring out the fact that under the Communist dictatorial state you can deprive people of everything and divert an enormous percentage of their gross national product to defense, which is what they are doing.

When you think that we are fearful of Russia today with a gross national product of only \$70,000,000,000 itself, and less than \$100,000,000,000 with the European satellites—one-fourth of our own—it shows we have a problem in a free society to expand production so that we can have a decent life, and at the same time divert enough of our production for defense.

Mrs. BOLTON. That, of course, is as you suggest dependent largely on the amount of raw materials that can be made available.

Mr. HARRIMAN. The raw material factor is today the limiting bottleneck.

Mrs. BOLTON. We have just received from the printer this morning, Mr. Secretary, a staff memorandum, which we feel is going to be exceedingly valuable, of the potential production of strategic materials by point 4 countries. It is just a little thing, but is full of exceedingly valuable material. I hope you will take one off in your pocket this morning.

Mr. HARRIMAN. I have not had the opportunity to see it yet. I will study it.

Mrs. BOLTON. We have only just received it this morning from the printer. I hope you will take one, as you agree with me that raw materials are one of the very great factors in our entire mutual security program.

Thank you, Mr. Chairman. My time must be up.

Mr. HARRIMAN. May I just say this: Of course, in Europe with lower productivity per workman there is an even greater opportunity to expand percentage-wise productivity there, and that is why there is the great need for the continuation of our technical assistance.

Mrs. BOLTON. Yes.

Mr. HARRIMAN. I found this time, when I was in Paris, even greater interest on the part of the European management and European labor than I did a year ago. It was rather difficult at the beginning to make them both understand the great value of increased productivity, but in the 3 years that we have been working with them as a result of the teams that have come to this country, our industry men who work in the different countries told me there was a real interest and a real desire to absorb this information. They gave me some rather startling figures on what was done in certain individual cases without a very much larger investment, and I was very much impressed.

Mrs. BOLTON. You feel those teams coming over are a very valuable contribution?

Mr. HARRIMAN. Yes, and then a small number of Americans going in on a small basis from industry to industry in the different countries is something that is very important for us to continue.

Mrs. BOLTON. Of course, the labor organizations are making a very fine contribution.

Mr. HARRIMAN. Our labor organizations have been very helpful in terms of education and in terms of helping the labor men that come over here. As you know, it has been historically the idea in Europe that increased productivity was dangerous to employment, and the businessmen liked big profits on a small volume of business; whereas our concept of an expanding economy and expanding productivity is one which I think we have brought to Europe and is one of the values of the Marshall plan. Now we want to help them take advantage of the new opportunity that has been created.

Mrs. BOLTON. Thank you very much, sir.

Chairman RICHARDS. Mr. Gordon.

Mr. GORDON. Thank you, Mr. Chairman.

Mr. Ambassador, I am certainly glad to see you again.

Mr. HARRIMAN. Thank you, sir.

Mr. GORDON. Of course, I appreciate getting your views on this important Mutual Security Program. I have no questions at this time, Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. I have no questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. I have no questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Harriman, throughout the testimony that has been given here the term "gross national product" has been used quite frequently as one of the yardsticks by which the relative effort of

different nations has been measured. I think everybody gets a little confused in thinking that what gross national product means is gross national income. I wonder for the record if you would be good enough to define what gross national product is.

Mr. HARRIMAN. As I understand it, gross national product is the total output of industry, agriculture, and services. National income is the income received by individuals.

Is that a correct definition? Mr. Gordon, my economist, can perhaps correct me if my definition is not correct.

STATEMENT OF LINCOLN GORDON, ECONOMIC ADVISER TO THE SPECIAL ASSISTANT TO THE PRESIDENT

Mr. GORDON. The gross national product is most simply defined as the total value of "final products" produced in the Nation during a given period. By "final product" it is meant that those things are excluded which, though produced during the period, are used up in the further production of other goods and services. Thus the gross national product includes the total value of finished consumer goods and consumer services, finished machinery and equipment, construction and the goods acquired by and services consumed by the Government. It excludes such things as the steel that is used in producing automobiles, the coal that is consumed in running factories, the grain that is fed to animals, and so forth, the values of these latter commodities being incorporated in the final value of finished goods.

To the above should be added two qualifications. First, if there is a net increase in the value of all inventories and stocks on hand over the course of a period, this increase reflects production not entirely embodied in the value of finished commodities, and the value of that net increase is added into the calculations of gross national product; on the other hand, if there is a net decrease in inventories and stocks on hand, current production during the period is less than that represented by the output of finished goods and services, and the net decline in inventories is deducted in arriving at the gross national product.

The second qualification has to do with durable goods used in production, i. e., plant and equipment. The gross national product estimate makes no allowance for the depreciation of major plant and equipment. By analogy with the treatment of inventories, one would calculate the value of such equipment used up during the period and reduce the total production estimate accordingly. But, inasmuch as there is significantly greater flexibility in the replacement of equipment than in the replacement of inventories, and also because estimates of depreciation are inherently less objective than estimates of stocks of materials since they involve a judgment regarding durability and obsolescence, attention is consequently given usually to the gross figure which makes no allowance for depreciation rather than to the net figure which would allow for the estimated depreciation of durable plant and equipment.

The value of gross national product necessarily depends on the length of the period over which output is measured. The same rate of activity for a year would yield four times the gross national product of a quarter year. By convention the year is the standard accounting period, but we are often interested in the rate of production during

a shorter period than a year, in which case we may calculate the gross national product for a month or a quarter and multiply it by 12 or 4, as the case might be, to express it as an annual rate.

The value of the gross national product is naturally very closely related to the value of incomes earned during the same period within the country, since it is the sale value of the Nation's output from which incomes are derived. Because of this fact it was fairly customary, until recently, to use the terms "national product" and "national income" almost synonymously.

With the great improvements in national accounting and statistical techniques of the last decade there has occurred a refinement of terms so that "gross national product," "national income," and "personal income" are rather precise terms as used in this country and refer to related but different concepts. The national income differs from the gross national product in two important respects:

(1) The national income reflects an allowance for estimated depreciation and depletion of capital equipment (both of private business and of Government assets), the effect of this difference being to make national income less than the gross national product.

(2) Indirect taxes are subtracted from the gross national product in arriving at the gross national income, indirect taxes having been reflected in the values of the goods and services represented by the gross national product. For the United States these two adjustments are currently equal to about \$22,000,000,000 and \$26,000,000,000, respectively, and consequently make the national income about 15 percent less than the gross national product.

"Personal income" represents a still different concept. This concept recognizes that income accruals and income receipts may differ, notably in the case of corporate dividends compared with corporate earnings; the difference being the sum of direct taxes on corporations and net retained earnings. It also recognizes that certain payments by the Government to individuals are in the nature of income payments, although, not arising out of the value of current production, they are "income" in a slightly different sense. Among these are transfer payments, such as pensions and social security benefits, as well as interest paid by the Government. Personal income consequently differs from national income by, principally, the deduction of corporate profits and the addition of corporate dividends, and by the deduction of social security taxes and the addition of Government transfer payments to individuals.

These adjustments may lead to a personal income figure either higher or lower than national income, the general tendency being for a relatively high personal income figure compared with national income when the gross national product is low and unemployment benefits high and corporate earnings low in relation to dividends, and so forth, and vice versa. At the present time, personal income is about 7 or 8 percent less than national income in this country.

The percentage differences among these three statistical measures are not especially uniform among countries, depending as they do on the extent to which governments derive their revenues from direct or indirect taxes, the ratio of depreciation to total production, and, as between national income and personal income, depending on the relation of corporate to personal taxes, the savings practices of corporations, and on whether social insurance benefits are derived from an especially identified system of social insurance taxes, and so forth.

It is generally considered preferable to use gross national product for international comparisons since this figure has a rather clearly defined physical meaning in terms of the total production of the economy and depends relatively less than the others do on institutional arrangements. However, for rough comparisons between, say, the United States and the European countries, the general order of magnitude of the comparison is not greatly affected by using one rather than the other, inasmuch as differences between gross national product and national income may run from 10 to 20 percent, while the differences between the United States and the European countries on either basis are, per capita, from about 100 percent in the case of the United Kingdom and Denmark to roughly 200 percent in the case of France and three or four hundred percent for some of the poorer countries.

Mr. HARRIMAN. Do you wish him to submit a technical report for the record?

Mr. HERTER. We might as well get it clear, because the phrase appeared in your testimony and appears prior to this time, and is used quite frequently as a yardstick. I wondered if you would care to comment on the use of it as a yardstick.

Mr. HARRIMAN. I have used the term "national product" and got in the habit of doing it because I was rather convinced when I was Secretary of Commerce that it was the most reliable figure from a comparable standpoint of total national effort.

Mr. HERTER. If you take the gross national product of the United States and take a percentage of that as being the effort we are making and relate it to a similar situation, let us say, in France, you do not have really an entirely comparable situation, because you start from a considerably lower standard of living in the French case than you do in the case of the United States; do you not?

Mr. HARRIMAN. You mean as far as the military effort is concerned?

Mr. HERTER. Yes. To use that as a single yardstick of relative effort.

Mr. HARRIMAN. It so happens that I think France is running fairly close to our actual expenditures. We must understand one thing, that in our budget as it comes to Congress are not only the expenditures, but the authorizations that are requested; whereas the French budget is an estimate of the actual expenditures. Therefore, in comparing the French budget we must compare it with the actual expenditures during the period under consideration, rather than the budget.

Have I made myself clear?

In France today, as I understand it, they are running along between 8 and 9 percent, or very close to 9 percent of their gross national product in their budgetary expenditures for military, and that is not far off what we are now spending. The French expect to expand their military expenditures, but I believe when we come to a peak it is a fact we will be spending more, or a higher percentage of our gross national product than is contemplated by the French, or that we would suggest the French should spend.

Our gross national product is not the only factor, of course, to consider if we are considering relative effort. One is the fact that France has only about one-third of the gross national product per capita that we have, in addition to which they do not pay their troops anything like the salaries and wages we pay ours. Also, there are other factors that have to be given consideration.

Mr. HERTER. Very recently there has been a tendency to insist on dollars-and-cents appropriations rather than contract authorizations, as was the custom in the past. As a result, the budgetary figures get somewhat distorted from the point of view of expenditures in a given year.

Mr. HARRIMAN. You are right.

Mr. HERTER. On the other hand, you have a great many editorial writers and others who take the expenditure figure and then talk about a pay-as-you-go tax operation based on those expenditure figures. It is a little confusing for Members of Congress to try to explain the thing today, because we are trying to go on a pay-as-you-go basis, but the expenditures are not going to be anything like the appropriations that have been made. I think it is a very confusing picture not only from the point of view of a good many laymen but a great many people who ought to know what the situation is.

I am wondering whether, from the point of view of our procedures, it would not be infinitely better to make estimates of expenditures and contract authorizations, and then try to adjust our tax burden in accordance with the expected expenditure, instead of the appropriations.

Mr. HARRIMAN. This is outside of my immediate responsibilities, but when I was Secretary of Commerce I testified on the tax bill at that time. As I understand it, the Treasury does submit the estimate of expenditures that are going to be made during the current year, and it proposes taxes on the basis of expenditures, to cover that, and not on the basis of appropriations.

However, it is confusing to get across to people generally what the difference is between the budget and the actual expenditures.

Mr. HERTER. One confusing thing about trying to relate this pay-as-you-go procedure is that generally speaking nobody takes into consideration the excess under the social security program—that is, of the intake over the outgo—so that quite frequently you have a considerable margin there of excess taxes that do not appear in the ordinary tax picture at all. That ought to be figured in the over-all inflationary picture.

Mr. HARRIMAN. Three years ago I would have been able to discuss that with you. I have not made a study of the situation at the present time, so I think I cannot help you in that right now.

Mr. HERTER. The only reason I raised the question is that it seems to me if we have to sit here and pass judgment on an over-all economic picture in the making of authorizations, we ought to have a pretty clear picture as to exactly where we are heading in our fiscal situation.

Mr. HARRIMAN. Someone else than myself can give you an estimate of what the actual expenditures will be during the next 12 months if these appropriations are made. I have not got them, but it is obvious a considerable part of the military expenditures are long-lead items that will not be delivered until later fiscal years.

Mr. HERTER. Thank you.

Chairman RICHARDS. Mr. Zablocki.

Mr. ZABLOCKI. Thank you, Mr. Chairman.

Mr. HARRIMAN. How do you do, sir?

Mr. ZABLOCKI. Good morning, Mr. Ambassador. I want to join my colleagues in welcoming you here.

In your statement and in answer to some of the questions you have referred to a fear, saying that we are fearful. I would like to point my questions to that phrase, because I am sure that you do not intend to imply that our Nation and our present policies are laboring under any fear. There are accusations that our present policies are due to fear; that we have either a fear of too much aid to our allies, or insufficient aid, or that the Soviet is too strong for us. I am sure you do not intend to imply we are fearful in that respect.

We are cautious, but we do not fear the Kremlin.

Mr. HARRIMAN. When I was speaking about fear in the free world, I was speaking about those countries which are wide open to Soviet attack at the present time. I was not speaking of our own country, but those countries that are quite close to the forces that are known to exist behind the iron curtain, and who have insufficient defense at the present time against possible aggression.

Mr. ZABLOCKI. Mr. Ambassador, to clarify it further, you do not fear that our allies are weak or unwilling, or not able to cooperate with us in their global struggle; did you?

Mr. HARRIMAN. No. I believe that our allies, or the governments of our allies who represent a majority of the people, are determined to go forward and desirous of going forward, and are determined to go forward with the mutual security programs on which we are embarked at the present time. The will to fight has been shown by the troops that have fought in different parts of the world. There can be, in my judgment, no question about that. The will to fight comes from leadership and comes from ability to fight, which means adequate equipment and adequate forces.

I think so much has been said about France that I might point out that the French have fought gallantly, even though with very small forces, in Korea. They have something like 150,000 French troops in Indochina that have taken substantial losses and have shown no weakness in will to fight, and have been up to the highest tradition of the French military.

Mr. ZABLOCKI. Mr. Ambassador, you state:

The Kremlin will find that it must adjust its policies and the processes of disintegration may begin behind the iron curtain.

On the basis of recent elections in Europe and developments in the Far East, how great or pronounced is the evidence of unrest and disintegration of the Soviet influence today?

Mr. HARRIMAN. The surest evidence is that purges continue. Wherever you find purges they are an expression of the unrest that exists in the countries. We see even in the inadequate information that we get through the press very substantial purges that are going on in the satellite countries.

My statement there, if I may amplify it a bit, relates to my belief that the Kremlin has maintained these very large forces in order to intimidate and to divide the free world, and to support her satellite military operations.

If the free world is strong enough so that aggression cannot be successful, I believe that they will find that it will be necessary for them to reduce those expenditures. Although they can do what they are now doing—that is, force their people to exert most, or a large percentage of their effort to the military—it does cause a lot of unrest within the country.

Now, when these policies prove to be unsuccessful, there will be internal pressures which will, I believe, force some sort of a change.

I did explain that the Soviets were exploiting their Eastern European satellites, and that has helped them maintain their military forces. If they cannot expand there will be no further area they can exploit. This exploiting business can only go on once and it will make it very much more difficult for them to maintain these large forces, and they may well have increasing difficulties behind the iron curtain.

Now, we did see the defection of Tito, which, I believe, came from the improvement of conditions that resulted from interim aid and the prospects of the Marshall plan. That type of movement, although it is not evident anywhere at the present time, can gain impetus if the free world is gaining in strength and determination.

In other words, it is really just a question of whether we believe that free society is the vigorous society, or whether dictatorship has more vitality. I cannot believe that it can hold control of its people indefinitely. The process of disintegration has always in the past begun, and I think that will again begin. After all, they have been in control of Russia for 34 years, and still it is a land of fear. The Kremlin fears the people and the people fear the Kremlin. I do not believe you can go on forever under such a system.

MR. ZABLOCKI. Mr. Ambassador, on the past performance of our allies and with the evidence of unrest, and taking into consideration your last statement, it is most necessary and crucial then that we do not curtail our efforts as embodied in this Mutual Security Program we are now considering. Is that right?

MR. HARRIMAN. I earnestly believe it would be a great mistake, and I believe it would encourage the Kremlin to pursue more aggressive policies if we were to relax, and it would encourage the people among our allies to relax. I know the political situation in other countries is not far different from our own. There are people in other countries who do want to relax, just as there are in this country. I really do believe this. As I said, we are coming to a critical period of the struggle, and if we go forward and show the Kremlin and show our allies that we mean to carry forward with vigor, that today will be the turning point in the whole struggle. But, if we do relax then other people will relax, and it will certainly encourage the Kremlin and it will be an invitation to further aggressive actions on their part.

MR. ZABLOCKI. Thank you, Mr. Chairman.

CHAIRMAN RICHARDS. Mr. Reece.

MR. REECE. Mr. Harriman, do you think bringing Greece, Turkey, and Spain into the North Atlantic Treaty Organization would strengthen the position of the Organization and of the United States?

MR. HARRIMAN. Yes. The bringing of Greece and Turkey into the North Atlantic Organization is under consideration now. The question of Spain is also under consideration, and it will probably take a longer period of time, if it can be done.

MR. REECE. Recently I introduced a resolution, feeling that way myself—

MR. HARRIMAN. What was that?

MR. REECE. Recently I introduced a resolution which indicated it was the sense of Congress that these countries be invited to become parties in the North Atlantic Treaty Organization. I am wondering if the enactment of a resolution of that nature might strengthen the

hand of the administration in encouraging the invitation to be extended by the other member countries?

Mr. HARRIMAN. I think those matters are being discussed with our allies, and I am not sure that it would be helpful at this time. That is a matter, of course, for Congress to decide. I think it ought to be done by negotiation with our allies and in no sense an indication that we are going to try to pressurize them into doing something which they may or may not think is wise.

Mr. REECE. The Congress passed a resolution expressing the attitude of Congress toward not admitting the Red Chinese to the Council seat. We understood the State Department felt the passing of this resolution would strengthen their hand in advancing that cause.

Mr. HARRIMAN. There is a difference, Mr. Reece, between Greece and Turkey, who are already members of the OEEC and a member of the Council of Europe, and Spain, which is not. There have been some very definite differences between European countries and Spain and also in our case. Ambassadors now have been appointed to Spain, and I think in the natural course of events the relations between Spain and other European countries may develop, particularly if the present Spanish Government moved in the direction of liberalizing their policy along democratic lines.

I think one should differentiate between Greece and Turkey, and Spain.

Mr. REECE. In the testimony of General Marshall yesterday it was developed that our armed services budget for this fiscal year amounted to about \$76,000,000,000. That would be about 25 percent of our national product. Is that approximately correct?

Mr. HARRIMAN. I did not read yesterday's testimony of General Marshall. I think the expenditures, as Mr. Herter brought out, are the figures to consider, rather than the appropriations. I cannot give you, and I do not know, the amount requested for authorization that will be spent during the next fiscal year. It would certainly be a lower figure.

Mr. REECE. I did not ask you to confirm the defense budget. I stated that as a fact, that that was developed in the testimony of General Marshall yesterday. My question then was what percent of the national product would \$76,000,000,000 be?

Mr. HARRIMAN. I may be wrong on this, but I understood something like \$50,000,000,000 is going to be spent, rather than the figure you mentioned, which is authorizations.

Mr. REECE. I could not hear you.

Mr. HARRIMAN. I say, this may be wrong, but I understood a figure of approximately \$50,000,000,000 was what was contemplated to be spent during the next fiscal year, as against the figure which I understood you used, which was for authorizations. So that I think one should use a figure of approximately \$50,000,000,000 in considering the expenditures for next year.

Mr. REECE. In determining the relative effort by various countries the same figure should be included. In one case if we included the budget, then in all cases we should include the budget, should we not? That is, if the budget of the European countries ranged from 2 percent to 10 percent of their national product, then it is appropriate to refer to our defense budget, which is around \$76,000,000,000, and which is about 25 percent of our national product.

Mr. HARRIMAN. I want to explain to you, as I did to Mr. Herter, that the Europeans' budget is only for the expenditures and not the authorizations. Under their system the governments go ahead and make the authorizations themselves without the authority of the parliaments; whereas it is our custom to ask the Congress for the money that is going to be spent plus the authorizations. So that in comparing our figures we must use the figure of the expenditure as compared to the budgets of the European countries. Therefore, one should use a figure of roughly \$50,000,000,000 as against what the Europeans would be planning to spend in the same period of time.

As I said, France and Britain today, who are the largest countries—the largest in gross national product—are spending, as I understand it, during the current year, something in the neighborhood of 8 to 9 percent of their gross national product. Europe as a whole is spending something less than 8 percent. They intend to expand their expenditures.

How far they can go has not yet been fully clarified, but there is no doubt that we will go further in the percentage of gross national product than the Europeans will, and in my opinion can, in terms of using this one yardstick of gross national product. In other words, I understand we will go up to 15, or 17, or 18, or maybe as high as 20 percent, whereas the Europeans will not be able to go that high.

Just how high they can go depends a good deal on factors such as the availability of raw materials, and how much assistance we are ready to give them to supply food and raw materials to take the place of their exports which they are now using to buy the needed imports.

There are other factors, Mr. Reece, which one must consider in making the comparison of the gross national product on a per capita basis which, as I said, in Europe is only about one-third of this country.

I am sure you would agree it would not be fair or possible for the people in the State of Tennessee, who have, as I understand it, roughly about half of the income of my State per capita—I think you would consider it impossible and certainly unfair to ask the people of Tennessee to pay the same percentage of their incomes as in my State. I would certainly think it was unfair.

A similar situation exists in our relations with the European countries when we are embarked upon a mutual effort.

Mr. REECE. Well, I appreciate the comparison of the incomes of the people from Tennessee and those of the great Empire State. I am not thoroughly conversant with the amount of income that we contribute to the Federal Government, but we are contributing a very substantial part of it.

Mr. HARRIMAN. I did not mean in any way to speak about it in any sense of superiority on the part of New York State. It just happens to be that the people are engaged in different kinds of occupations that do not bring them in as much money. I hope some day there can be greater equalization of the incomes of the people all over the United States.

I have great respect for the State of Tennessee and the great contribution they are making. I am only indicating that I would not think it would be fair to ask the people of Tennessee, with their present incomes, to pay as large a percentage of that income for defense as are the people of my State.

Part of it is the character of occupation, which in no sense reflects on the effort that the people of each of the two States make.

Mr. REECE. I did not so interpret it, but I was afraid someone else might do so.

Mr. HARRIMAN. All right, sir. I just wanted to make that clear.

Mr. REECE. There is just one other thing. In regard to the budget now, under the system of budgets used in the European countries, do they spend, or does each of those countries spend, their entire budget a year in the year for which the budget is made or estimated?

Mr. HARRIMAN. As to military expenditures in the countries I happen to have been studying, they are more apt to spend more than their budget shows, rather than less. That is in the case of France, which started off with a lower budgetary figure and will end the year by spending substantially more, and will get additional appropriations for that.

Mr. REECE. But under our system here we make a budget for the year. All the money may not be spent, but the major percentage of the budget is obligated so that it is in the process of being spent. Is that not the purpose in setting up the budget, so that the money is available and the expenditures can be planned on the basis of the budget, although it is not expected that all of it will be spent in 1 year?

Mr. HARRIMAN. I think our system is a better system, but it so happens that it has been their custom in the European countries with which I am familiar only to ask their parliaments for the actual money they believe they are going to spend. The governments have taken on their own authority the responsibility for making the forward commitments. That is their system. I do not think it is as good as ours or at least as sound as ours, but that is the way they operate.

Mr. REECE. Then those countries cannot make commitments beyond the year in which the expenditure is completed?

Mr. HARRIMAN. No. They do. The executive branches of the governments, of course, do make those commitments, but they do not ask their parliaments' approval of them until they are ready to spend the money. However, they do go forward just as we do in making the forward commitments.

In the British case, when they asked for this year's military budget they have explained to their Parliament what the next 3 years' budgets are likely to be. So that in a sense they have forewarned them as to what they will be, but they have not asked for a vote of the Parliament approving them. So that it is understood by the British Parliament when they ask for whatever the figure is for this current fiscal year, that the Parliament is on notice that they are making commitments which will run over into other years.

Mr. REECE. If you will pardon me just a minute, I would like to get back to this relative burden that we bear down in Tennessee to that which they bear up in New York, so as to clarify the situation.

A man who is making \$5,000 a year in Tennessee contributes just as much to the support of the Federal Government as a man who is making \$5,000 a year in New York.

Mr. HARRIMAN. That is correct.

Mr. REECE. So that a man in Tennessee, or any other State, contributes the same percentage of his income as does a citizen of New York who makes the same or has the same income.

Mr. HARRIMAN. That is correct.

Mr. REECE. The only difference is that New York has possibly a larger percentage of its people who have an extremely high income.

Mr. HARRIMAN. That is correct.

Mr. REECE. Possibly some members of the firm with which you were formerly associated, who may have salaries ranging into a few hundred thousand dollars—naturally, under our income-tax system they pay a larger percentage of their income than does a man in Tennessee who has an income of \$10,000 or \$15,000 a year. So that after all, the burden falls equally on the citizens, regardless of the State in which they live.

Mr. HARRIMAN. That is correct.

Mr. REECE. That is all.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. Mr. Harriman, since the world has no common currency, we might use man-hours to determine the contribution, might we not?

Mr. HARRIMAN. What is that?

Mr. HAYS. Since the world has no common currency and it is difficult to reduce it to money equations, could we not approach the problem that Mr. Reece has mentioned with the common denominator of one man working 1 hour? Certain criteria could be ultimately worked out to determine whether the contributions are commensurate. Among 1,000 workers, for example, you would have about the same number of men 30 years of age, and the same number of men 50 years of age. A person in France would be contributing in an hour's time about what a person here would contribute, allowing, of course, for differences in technology. That would be one way to get at it.

Mr. HARRIMAN. It would be a fairly complicated one but, of course, that has been done in connection with the number of men that are going into the services, as compared to the population. It gets pretty complicated if you do it on an individual basis, but there are all sorts of considerations that have to be taken into account. I hope that there will be an explanation to you by other witnesses to show the kind of an effort that they are making, and the kind of an effort which it is believed for our part is a reasonable one to expect them to make on a comparable basis.

It is awfully hard, sir, to get a real comparison because there are certain things which enter into it. Our industry being so much greater on a per capita basis than the Europeans', we have industrial capacities which can be converted to certain types of military production which do not exist in Europe and, therefore, the physical capacity to do things which is also involved.

Mr. HAYS. The idea back of it all, of course, is to get each of us to do our dead-level best. If a person's dead-level best in one nation is short of the other nation's dead-level best, at least we can all have the consolation of knowing we are contributing to a common cause. I think that is a fair statement to make.

Mr. HARRIMAN. That is a fair statement, and that is what I believe in time, with all of us working together, we will arrive at in a rough sort of a way.

Mr. HAYS. Mr. Harriman, I want to pursue a little further this problem of inflation growing out of the raw-materials program. I have the figures for the period from May 1950 preceding the Korean aggres-

sion, to January 1951, which is a 7-month period, showing that the price of tin increased 135 percent, antimony 171 percent, lead and zinc 45 percent, and rubber 157 percent. There were some increases too in copper and tungsten and wool, although not as substantial as those other increases.

I wonder what assurance you can give us that the economic and financial controls to arrest that trend are being invoked?

Mr. HARRIMAN. I do not recognize all of your figures, sir. Some of them have gone down, you know, since the figures, I think, that you have indicated.

Mr. HAYS. But in general.

Mr. HARRIMAN. Many of these prices are on the raw-material-producing countries that sell on the open market, and there is open competition for them as there has been in the United States before the controls were set in. Many of the European countries have controls in their own countries, but they do not control the countries that produce the raw-material prices.

There are discussions, as I have said, going on between the producer and consuming countries. What that will lead to I cannot fully tell, but if the consuming countries act together, which I understand they are, in conserving some less essential use for a more essential use and reducing down the requirements, there will be less competition in the open markets and, therefore, a lowering of the prices down to a reasonable basis.

Also, if we can go together to increase our production of these raw materials, why, then, the market itself will naturally come down.

There are certain countries that are cooperating. Certain countries are part of the North Atlantic Treaty, and other countries, of course, are not associated in the same way, and have not got the controls that the North Atlantic Treaty countries have.

Mr. HAYS. It seems to me that we need to emphasize a little more what is happening in these inflationary movements in the world as we discuss our own internal problem of inflation. It is very difficult to meet and unless there is imagination and leadership in it, we cannot whip that problem.

Mr. HARRIMAN. I certainly agree, sir, and I think we should take the lead in it. I hope the Congress will pass the control measures which are requested. We are such an enormous part of the world economy that our own actions can tend to help all around; but, of course, we must ask other countries insofar as we are able to, to follow similar practices.

I think by and large most of the European countries have within their own countries, but in the other countries outside, why, there are not the controls established, and it is not always easy to get them to act. It is not always easy to get action on the part of our own country in controlling certain prices.

Mr. HAYS. It is related to this other problem that has been referred to. It is a condition that the Communists exploit. You get an inflated income in an area that is producing raw materials, but that income is not equitably distributed, and then the extremes of income that the Communists immediately seize on show up.

Mr. HARRIMAN. You are absolutely right, sir. We should use all of our influences and pressures to see that the increased incomes that come about in the individual countries do not trickle down, but go

down in the form of improved conditions among the main body of people in those countries.

Mr. HAYS. It would be true in the rubber-producing areas too, I should think, in southeast Asia.

Mr. HARRIMAN. Yes. In all of those countries.

Mr. HAYS. Mr. Harriman, I was glad to see you refer to Mr. Gordon Gray's report and Mr. Nelson Rockefeller's report. Mr. Rockefeller has been identified with some endeavors of private agencies in reconstruction programs. It is a sort of private point 4.

Are you prepared to appraise the efforts being made in nongovernmental enterprises that are doing exactly this same thing to rehabilitate some of these countries agriculturally?

Mr. HARRIMAN. I have no information on that that can contribute to it. I had heard that Mr. Rockefeller might appear before this committee, and he can give you a good deal more information than I can, I am sure, since these last few years he has been absorbed, I think, in these very admirable and useful undertakings, not only for the countries in which he has operated, but in the fundamental interest of the people of the United States. I am sure he can give you a good deal more information than I can.

The matters I have been connected with have been in Europe, where we have attempted to encourage the European countries to expand the economies of the territories in which they have an influence. There it has been largely governmental in providing the basic services, such as transportation, communications, development of ports, and so forth, which makes possible the cheaper movement of products, both industrial products and food, which will give a higher income to those people. When the cost of transportation is very great, why, of course, the people get a much lower income from their efforts. Both governmental effort and private effort, I think, should be tied in together.

Mr. HAYS. Yes, sir.

Mr. HARRIMAN. That is the objective, and the fundamental objective of the point 4 concept.

Mr. HAYS. I mention it because the tendency will be to overlook and neglect the private agencies that are doing a very significant work. I happen to know about their work in Mexico, for example. Unless we keep some attention focused on it, we may be making a great mistake. If we think altogether in terms of governmental activity, I think we would be making a mistake.

Now, just one other question about the point 4 program. It is proper for us to emphasize the exportation of talent and of manpower, trained young men, that is, to help in this agricultural program of increasing food. It is proper for us, is it not, to emphasize that, as distinguished from the export of goods?

India is a good example. It was ironic that we had to think in terms of sending grain, simply because for the past several years we had neglected to do the other thing. I heard, for example, Mr. Raymond Miller—and I think he is a known expert on agricultural rehabilitation—say that if he were writing the ticket he would send 100 men of the caliber of our county extension agents to India.

I hope that we can interpret this program in those terms, so that the American people can really feel that we are sharing with the

so-called underprivileged people the educational advantages that we have built up in the West.

Mr. HARRIMAN. Mr. Hays, I think you have touched on a very, very fundamental question. We saw a good deal of it in Asia. It is one of the things we attempted to do; that is, to bring in our own agricultural people and to help the European countries set up an extension service based on the benefit of our experience.

Now, some countries have done very well in that respect in Europe, and others not so well. However, the agricultural production has been increased in Europe as a result of the type of effort that you speak of. Of course, European agriculture is very well advanced, but in the underdeveloped countries it is a complete blank, and the efforts that you speak of are absolutely essential to bring to them, if we want to have an increased production in those countries which will give them some hope for a better life, or, in other words, help them help themselves. We have the knowledge and know-how. I am sure they have told you, as they have me, that there are great opportunities for showing the people how to increase agricultural production with better seed; better tools, better fertilizer, better methods of drainage, irrigation, and so forth. I know others can testify better than I can, so I will not expand on that.

Mr. HAYS. Thank you very much, sir.

Mr. HARRIMAN. But it is really the same sort of thing we brought to many of our farmers in this country, which we can do with very little expense. You know how much it has helped the people in your State and other States.

Mr. HAYS. Exactly. The farm security organization, of course, had a very important part in that.

Mr. HARRIMAN. Yes.

Mr. Chairman, I find that I did not fully hear your question at the beginning. Mr. Gordon tells me I failed to answer your first question. I am sorry, but I did not hear it. It was whether we could stop aid after 1954 or 1955. In my statement I said after a few years I would expect to have or expect to see a very sharp reduction, if not an entire stoppage of aid, providing we go ahead with it on a large enough basis. We are building up the capital equipment, sir, to arm the forces that they are now creating, and have enough equipment on hand so that they can call up their reserves quickly.

In modern warfare we need enormously expensive equipment, far more than ever before in terms of cost. After that equipment is once in being and once in the hands of the people, they will be able, in my opinion, to carry on the maintenance that will then be a smaller, and a very much smaller figure than will have to be spent now during the period of the build-up.

It is a very long statement or way of saying that I believe we will be able after 3 or 4 years to reduce sharply, if not entirely abandon, all military assistance. There may be certain countries which we will desire to go forward with which have no industrial production at all, but I look on this as being a great effort for a few years, and then we will have the benefit of it.

Chairman RICHARDS. Mr. Secretary, I asked that question because I knew how familiar you were with the situation of the build-up in these areas, particularly in Europe. I know you cannot say definitely when you expect this thing could be done over there without our aid, but I was just trying to get what you anticipated could be done.

Mr. HARRIMAN. It could not be done in any reasonable period without our aid, but if we give them aid for a period of 3 years to 4 years—others can testify in more detail, and I do not know just how much it is wise to do in open session rather than in executive session—we can expect to have a really sharp break in the size of any foreign aid which we may think it wise to give after that period, always assuming that there is no war.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Harriman, I have read your statement carefully and I want to commend you, as I did the Secretary of State, on what seems to be a lot of progress that has been made in the thinking of the Administration, or at least progress in public revelation of its thinking. For example, it has constantly been said that we must save Europe, regardless of what happens in the rest of the world, because of Europe's industrial capacity and the fact that it is the world's second greatest workshop. But you say on page 2 of your statement:

The industrial countries can increase their production if adequate raw materials are available.

I am glad you have discovered, and I hope others also realize that the workshop in Europe is no good without raw materials, and that adequate raw materials are not to be found in Europe; many must come from Asia.

I am glad that you at last have joined the so-called China lobby along with Secretary Marshall, who almost joined it the other day. He will have to eventually, I am confident, because he is not going to be able to win in Europe unless we pay more attention to stopping the Reds in the Far East, where the raw materials are, and we cannot stop the Communists in the Far East without mobilizing the strength of anti-Communist China.

Now, I want to ask you a question.

Mr. HARRIMAN. Mr. Judd, may I interject this, that what I have said here I have said for a long time. I said it when I was Secretary of Commerce, and it is on the public record in an article I wrote for the Saturday Evening Post, I think in the spring of 1947, which says much the same sort of thing.

It is not only Europe that is depending on these raw materials—

Mr. JUDD. It is ourselves.

Mr. HARRIMAN. It is our own life and our own future.

Mr. JUDD. Precisely.

Mr. HARRIMAN. But I am not joining the China lobby, sir.

Mr. JUDD. I want the Washington Post to notice, please, and report that you are now making precisely the same argument it has anathematized some of us for making all these many years.

Mr. HARRIMAN. I think you and I agree on the great interest we have in the underdeveloped countries.

Mr. JUDD. That is right, and we are interested in China not because it is China, but because we believe there is no other organized body of manpower in Asia that has a chance of stopping further Communist expansion there.

May I ask you this question: If the Chinese, with our proper help—which we have never given them since Wedemeyer was withdrawn in early 1946—are not able to get Communist expansion stopped in Asia, then who will be able to get it stopped, and where, and how, and at what cost?

Mr. HARRIMAN. Well, I am not the expert on the Far East that you are.

Mr. JUDD. But you say we have to have its raw materials and you must do some thinking about it.

Mr. HARRIMAN. I have not been in the Far East for the years you have, although I have been there on several occasions. I am quite convinced unless we go forward with the technical assistance and the economic assistance that is contemplated we will run into difficulties. I would like to see it increased rather than reduced. I would support personally an even greater effort than we are putting forward. However, there are vast parts of the undeveloped world, in Asia, the Middle East, Africa and South America, that we want to give the same attention to and go forward with the programs which we have undertaken.

Now, I think we have to realize that. We have to learn by the experience that we have had and the success of some of the things we have done, as well as the failures that occurred where we did not move fast enough. I think we want to look forward and learn from the good things we have done and from the mistakes that we may have made, but I am very much encouraged from the reports that we have of the success we have had where we have had good people and enough money to operate on.

Mr. JUDD. Yes, but the question is, Will those areas still be free and open to us, so that we can carry on there the programs of which you speak, by the time our Government belatedly gets around to them? That has been my concern. You cannot carry them on in Manchuria today or mainland China, or in Czechoslovakia, or in any area where the Soviets have gained control. The first thing is to stop their expansion.

To give credit where it is due, just as the Chinese held the line against Japan, fighting on our side for 4½ years before we had sense enough to know it was our side—we were helping Japan—so they fought on our side holding the line against Communist expansion in China for 5 years before we had sense enough to know it was our side. We were ordering them to get into bed with our enemy. I only hope that despite our abuse, they can hold for another few years until we can get going in the areas around China that are still free. I believe they may be tough enough to save us, despite all our past folly. This is an old, old story to the members of this committee. They have heard me saying it ever since I have been a member, but I am going to keep on saying it, and maybe we can get some more conversions. It is not because I like to say it, believe me. It does not do anything for myself except create trouble; but I have to do it because I feel so sure our country's whole future is involved. Inasmuch as those are my convictions, I must press them while there may still be time.

The other thing on which I want to comment is on page 4, where you say you believe that the Kremlin considers the attack on Korea as a major error and wants to get out of it.

They expected to attain an easy victory, demoralize the United Nations, and discredit American leadership. Not only has this plan failed, but the aggression in Korea has aroused our country and our allies to undertake greatly accelerated rearmament for defense. The Kremlin would like nothing better than to have us think that we can safely relax, while the Soviets continue to build their military strength.

Mr. HARRIMAN. I did not say it wants to get out of it. It looks as if they want to get out of it, but I would not predict what is going to happen. That is an additional phrase you put in.

Mr. JUDD. Well, I did not mean to read something into your remarks that was not there.

Mr. HARRIMAN. If they mean what they say, it is because they want to get out of it.

Mr. JUDD. I value your comment on that because you were in Moscow during the crucial years near the end of the war, and you ought to understand their purpose, and their tactics and strategy as well as any American. Do you believe that the main purpose of their cease fire is, perhaps, to get us to relax?

Mr. HARRIMAN. I say in the statement that I think they would like nothing better. I cannot tell what their main purpose is. It may be they are unwilling to supply the equipment that is necessary to carry this war on, and want to keep it for themselves. It may be for many other reasons. But I am quite firm in the belief it was a great shock to them that we have engaged upon this large program, and that our allies in Europe and other parts of the world want to increase their military strength for defense. They would certainly like nothing better than to see us all relax again.

I think if we do relax it will be a great encouragement to them to press forward in other directions.

Mr. JUDD. You unquestionably have studied the many documents that have been written by Communist leaders, both Lenin and Stalin in Russia, and Mao Tse-tung in China, on the fundamental Communist doctrine of the strategic retreat. That is, if they cannot gain their objective by one strategy, they must not hesitate to withdraw from it and shift to another one; not as an abandonment of the objective, but as a means of achieving the objective. Do you not think that is what this is?

Mr. HARRIMAN. I think that may well be what they have in mind. I want to see it happen before I say it is, but it is entirely conceivable that they will intensify—if there is an armistice they will intensify their peace drive and try to get the weaker countries to relax even more than is being talked of now in this country. Unless we take the lead it is possible it will spread to other countries. If we relax, it is sure the other countries will do so. Then the vigorous leadership in the other countries that want to go forward regardless of what we do will find it much more difficult to do it. Certainly, it will be an invitation if we do relax to further aggression on the Russians' part, and an encouragement for them to continue.

I want to see them retreat, as you so wisely or knowledgeably put it, for a long period of time, and not just for a few months.

Mr. JUDD. You will agree that while our objective is peace, that is not their objective. Their objective is victory for the Soviet doctrines and system. Is that not right?

Mr. HARRIMAN. That is right. On a step-by-step basis, taking over country after country.

Mr. JUDD. And when they find they cannot get victory by fighting, because that stirs us up, then they seek to get not peace, but victory, by a cease-fire which quiets us down—they hope. Is that not right?

Mr. HARRIMAN. They hope. Just as they have abandoned their tactics in the Berlin airlift. Just as soon as the Berlin airlift was

over there was a tendency on the part of all of us to relax. We must not make the same mistake again, and we must learn.

Mr. JUDD. Is not their present action in Korea precisely what they did in China in 1946? They were not able to get victory by fighting because at that time the Government forces were much stronger than theirs, so they said, "Let us have a cease-fire and peace." They pulled the wool over the eyes of some Americans because they said they wanted peace and the Chinese Government which knew what the Reds were trying to do did not want to yield to their request when it had the upper hand and was defeating them. So it looked to some Americans as if the Chinese Government wanted a civil war and the Communists wanted peace. They succeeded in their maneuver. They could not get victory by fighting, so they got us to insist on a cease-fire. The cease-fires in China in 1946 led to the Communist victory there and that was what made possible the attack on Korea.

The cease-fires confused the Chinese people and armed forces. Four times in 1 year, they got all steamed up to put down the Communist rebellion and then their Government at our insistence agreed to a cease-fire. The morale of Government forces dropped; that of the Reds rose.

The President a week ago criticized the Government of China, saying it fell because it failed to mobilize the people of China. Well, how could it mobilize their will to fight when we urged it not to fight? Whom were the people to believe? You have four cease-fires here, and see if his administration can mobilize our people to fight. You and I are anxious lest even one cease-fire may cause a let-down, an unwillingness to face up to our responsibilities. It is so easy to criticize others' failures until you face a similar situation yourself.

I am saying this merely to point out that one of the things that weakened the Chinese will to resist was those cease fires in 1946. I do not know whether that will happen to our country because I hope we realize the enemy is still there. But I fear he will be stronger after the cease-fire than he is today.

That does not mean, and do not misunderstand me, that I do not want to pursue in every possible way honorable efforts to end the fighting on a basis that will last, but it must be done with terms that do not jeopardize our ultimate victory in this world struggle of which, as General Marshall rightly said, Korea is merely an incident.

Chairman RICHARDS. Has the gentleman any other questions?

Mr. JUDD. Yes, I have. I have asked him several questions.

Mr. HARRIMAN. I would like to disassociate myself from Mr. Judd's remarks about China because I am not familiar with it. I do agree if there is a cease-fire in Korea we should not let it, or should not permit it, to relax our efforts.

Mr. JUDD. You see, Mr. Chairman he answered the question. He agreed with me.

Mr. HARRIMAN. No, sir. No, sir, I did not.

Mr. JUDD. I thought you did.

Mr. HARRIMAN. Not as to the events in China. I do not know about the events in China, and I have no comment on the events in China. I am simply agreeing that we must not let any cease-fire in Korea cause us to relax, and encourage other people to relax.

Mr. JUDD. That is right and all I meant to imply. I am trying to point out, to the best of my ability, what on the basis of previous

experience, it probably is that the Soviets are endeavoring to do in Asia, if we are foolish enough to let them get away with it, as we did once before.

Chairman RICHARDS. Mr. Chipersfield.

Mr. CHIPERFIELD. No questions, Mr. Chairman.

Chairman RICHARDS. Are there any other questions?

(No response.)

Chairman RICHARDS. Thank you, Mr. Ambassador, for your very informative statement.

The committee stands adjourned.

(Whereupon, at 11:59 a. m., the committee adjourned.)

(The following information has been submitted for the record:)

THE SECRETARY OF DEFENSE,
Washington, July 9, 1951.

HON. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: In reviewing my testimony of July 2, 1951, before the Committee on Foreign Affairs of the House of Representatives, in answer to Mr. Judd's question in regard to forces for Europe, I find that Mr. Judd was speaking in terms of forces in being whereas I was referring to planned mobilizable as well as active forces.

Because of the classified nature of the subject matter, I cannot go into detail in this letter. Subsequent witnesses will be prepared to discuss it further in executive session.

I am enclosing the following:

(a) New obligational authority for national defense functions for fiscal years 1950, 1951, and 1952, requested by Mr. Reece.

(b) A breakdown of budget estimates of the Mutual Security Program for fiscal year 1952, requested by Mr. Herter.

It would be appreciated if this letter were made a part of the official record of the proceedings of July 2, 1951.

Faithfully yours,

GEORGE C. MARSHALL.

1952 budget estimates Mutual Security Program

Title I:

Training.....	\$30,256,443
Matériel.....	4,831,070,002
Excess matériel ¹	191,702,016
Packing, handling, crating (including storage and operation of ZI and overseas depots) ²	151,544,840
Inland transportation ³	87,222,917
Ocean transportation.....	139,898,898

Title II:

Training.....	4,251,193
Matériel.....	372,662,276
Excess matériel ¹	23,713,580
Packing, handling, crating ²	10,221,879
Inland transportation ³	7,476,912
Ocean transportation ³	20,387,740

Title III:

Training.....	2,552,773
Matériel.....	508,317,054
Excess matériel ¹	70,000,000
Packing, handling, crating (including operation of ZI and overseas depots) ²	16,778,093
Inland transportation ³	8,165,360
Ocean transportation ³	19,186,720

¹ In addition to excess materials sold to other nations upon the payment of the fair value under provisions of 408 (e) of the MDA Act.

² Includes expenses of 1950 and 1951 programs to be delivered during fiscal year 1952.

1952 budget estimates Mutual Security Program—Continued

Title IV:

Training.....	\$2, 650, 000
Matériel.....	33, 832, 181
Packing, handling, crating.....	1, 327, 864
Inland transportation.....	1, 074, 318
Ocean transportation.....	1, 115, 637

OPERATING AND ADMINISTRATIVE EXPENSES

Departmental.....	4, 039, 339
United States:	
Field.....	23, 141, 131
Overseas.....	10, 819, 530
Contribution to NATO international budget.....	9, 716, 000
State Department administrative expense.....	5, 284, 000

Department of Defense—New obligational authority for "National defense" functions, fiscal years 1950, 1951, and 1952 . . .

["Military services" classification, 1952 budget]

[Millions of dollars]

	Fiscal year 1950, actual	Fiscal year 1951, actual	Fiscal year 1952, esti- mated
Department of Defense, military functions ¹	13, 212	48, 387	60, 686
Defense functions of other agencies:			
General Services Administration:			
Stockpiling.....	423	2, 998	600
National Industrial Reserve.....	11	20	4
Independent Offices:			
National Advisory Committee for Aeronautics.....	131	59	68
Selective Service System.....	9	36	50
Executive Office of President: NSRB, NSC, and emer- gencies.....	4	14	29
Other.....	5	(²)	1
Total "defense" functions in President's budget.....	13, 797	51, 414	61, 438

¹ Excludes permanent appropriation—special accounts.

² Budget message of the President.

³ Less than \$0.5 million.

Source: Budget Division, Secretary of Defense, July 3, 1951.

THE MUTUAL SECURITY PROGRAM

TUESDAY, JULY 10, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10:15 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we are continuing testimony this morning on the Mutual Security Program. We are pleased to have with us as the witness this morning the Honorable William C. Foster, Administrator, Economic Cooperation Administration.

STATEMENT OF HON. WILLIAM C. FOSTER, ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION

Mr. FOSTER. Mr. Chairman and members of the Foreign Affairs Committee, I am here in support of the Mutual Security Program, which I believe to be an affirmative plan of action for repelling one of the gravest threats yet confronted by our country.

Secretary Acheson, Secretary Marshall, and Mr. Harriman have given a comprehensive outline of the way in which the program is designed to support the security of the United States. I shall try to outline the economic aspects of the program and to set forth why I believe the furnishing of economic aid to other free nations is as essential to our national security as supplying them with weapons and how, in most cases, each is necessary to the other.

First, I would like to discuss the situation in Europe, and later that which confronts us in Asia.

A brief summary of Marshall plan accomplishments will illustrate the progressive and interlocking nature of our new proposals.

The first Marshall plan task—helping western Europe recover from the disruptions of World War II—has been largely accomplished. Last year at this time we reported that industrial production in the Marshall plan countries was running 25 percent above prewar levels.

Agriculture was approaching prewar standards, having made notable gains during the first 2 years of our program. This advance has continued. Today industrial production is about 40 percent above the 1938 mark, while agriculture is 9 percent above prewar levels and steadily improving.

The process of recovery is now such that we could limit dollar assistance to a few special cases were it not for the Soviet design to subvert and subjugate our allies.

The next great objective of the European recovery program was the liberalizing and expanding of European trade—the greater integration of the economies of western Europe.

Real progress has been made in this long-term job of unification. The Organization for European Economic Cooperation which was established in 1948 to coordinate the economic recovery efforts of the west European nations has been moving Europe effectively toward greater economic unity.

In September last year, for example, the European Payments Union was created and we can see tremendous steps forward in the field of trade relations. The fact that the volume of intra-European trade has increased about 60 percent in the past 2 years confirms the worth of EPU and the trade liberalization efforts which preceded it.

The Schuman plan is another heartening move toward unification. In the partnership of the North Atlantic Treaty Organization and under General Eisenhower's dynamic leadership, we see collaboration among the Europeans that inspires our hopes for the future.

Historians will surely point to what has been accomplished in these last 3 years as among the brighter pages in the story of free men's ability to work together in a common cause with intelligence and devotion.

You might reasonably ask: If such substantial progress has been made toward recovery, why do we not wind ECA up as quickly as possible and be done with it?

I agree that would be a welcome, if unique, course for a Government agency. No doubt the Congress will consider that course while also weighing the advantages of having a going concern continue with the economic jobs ahead.

Regardless of your disposition of the agency, however, I sincerely believe that you will find the completion of these new jobs essential to our own security.

For much remains to be done, and I should like to lay before you our assessment of the current problems, and the economic actions we believe are required to build strength in the free world.

Whether we meet them successfully or not will answer the crucial question whether the United States can continue to thrive, or even survive—whether a large part of the world will remain free or fall under the sway of totalitarian dictatorship.

Our response must therefore be sustained and consistently strong. We must cope with the implacable designs of the Kremlin whether they appear as invasion in Korea and Indochina or as subversion in France and Italy.

Most important of all for the long term, we must also cope with international communism, in its more subtle form of feeding upon chaos within its intended victims. We must wage peace through strength on all fronts.

These are the economic tasks of the Mutual Security Program:

1. To complete the building of a western European economy so strong that it is not sensitive to the appeals and manipulations of communism, to consolidate and hold the gains made to date—a positive, committed free Europe, competent to bear arms while simultaneously furnishing its peoples with a way of life worth defending.

2. To generate in the underdeveloped areas a sense of full partnership in the free world and a full awareness of the insidious nature of the Communist threat and the means to eliminate it.

The first part of this job lies in helping the governments, some of them just emerging into the responsibilities of self-government, to meet in more adequate measure the needs of their peoples.

3. To develop and enlarge sources of scarce and strategic materials and to assure their fair distribution within the free world. This is today a matter of major importance in accomplishing the first two tasks.

We believe these tasks possible of achievement. However, we cannot do it all. Obviously, all the United States can do is to help those who want to help themselves, but our experience to date in Europe and in Asia does indicate, I believe, that these tasks can be done.

As to the European situation, I have just returned from a trip to several of our European missions and from a meeting of our ECA mission chiefs in Copenhagen. Once again, I was struck by the progress the Europeans are making—by the fact that the Europeans are worthy allies.

We must never forget that they have spilled more blood in defense of our common spiritual values than we have. As their confidence in mutual security grows, their fears are diminishing and the cycle of strength is gaining momentum.

In addition to the things of the spirit, we know that their basic resources—such things as coal, steel, electric power, or even their total industrial potential—are roughly $1\frac{1}{2}$ times that of Russia and her European Communist satellite states.

We believe those resources combined with Western Europe's diverse skills, transport, communications and other calculable assets, constitute a potent material force in the world today.

If properly mobilized, the balance of power would be clearly on our side. Without it, the balance of power would be against us. It would be in effect against us, too, if Western Europe were to remain weak, unarmed, an easy victim.

As Secretary Acheson and Secretary Marshall have said, we have undertaken a program for helping Western Europe to build its defenses to a level designed to discourage Soviet aggression, and to resist it if it occurs. Our allies in Europe are undertaking a large part of this burden. They are raising forces, feeding and clothing them, and building the barracks, air bases, ports and networks that modern arms require.

Defense production, while still far short of what is necessary, has been doubled during the last year. At the present time, our European allies, except for Italy, have more men in service than they did on the eve of World War II.

And while we know that the bulk of the arms needed for the rapid build-up in Europe which the present situation dictates must come from the United States, we know also that the Europeans must undertake a major military production effort.

Producing their own armaments has many advantages for the Europeans and us. For one thing, arms and spare parts produced in Europe come immediately into position there where they are needed.

A second advantage is one of less cost to the United States. It costs us about \$75 to make a bazooka to send abroad. This is represented entirely by American labor, American materials, American manufacturing facilities.

The same bazooka made in France may require only \$15 in materials and tools from the United States, but all the balance is represented by French labor, French materials, French facilities, thus multiplying our dollars fivefold.

Thirdly, we cannot arm and rearm Europe forever. Progress toward military self-sufficiency in material is essential.

It is, therefore, good partnership business to help the Europeans produce their own arms rather than supply all of them from the United States. Indeed, you might well ask why we do not propose to get even more production in Europe and consequently furnish even less from here.

In much of Europe the standard of living is so low that unless it gets our help, it cannot sustain the burden of armaments without cutting below the danger line where communism begins to grow on want, hunger, and despair.

It is clear that the United States with a present per capita income of about \$1,700 per annum can afford more rearmament than say France, where, despite nearly miraculous improvement in the past 3 years, per capita income is still only about \$525.

Moreover, we must never forget the priceless factor of time. If General Eisenhower's requirements are to be met on time and with maximum efficiency in using scarce tools and materials, we must provide a large proportion of the military equipment, but we believe the Europeans can do their share of meeting all the many needs of mutual defense.

In the short run, the problem is to step up European military expenditures without creating serious inflation for that would improve the opportunities of the Communists for successful internal subversion.

Looking further ahead, the problem is to divert economic resources from civilian to military use without either (a) interfering seriously with the growth of productivity and future economic strength, or (b) so impairing Western Europe's trading position as to make permanent her economic dependence on United States economic aid.

Western Europe must not find itself at the conclusion of the defense effort back in the unhappy situation where the Marshall Plan found it 3 years ago.

There is only one way in which Europe itself can shoulder a larger rearmament effort while at the same time giving its people a way of life more hopeful than that proffered by extremists of the right or left. It is the way of increased production and greater unification.

Given the present situation, the surest and quickest way for Europe to increase its total production is through greater productivity, which is to say, more output per worker per hour.

We believe that Europe offers dramatic possibilities in this regard. Most European workers toil hard enough—sometimes too hard by our standards today—but not always with the most effectiveness.

For example, it is our best estimate that steel production in France could be increased 20 percent with little capital investment. French producers are not getting the most out of their machine tools, many of them new.

French workers are not yet realizing the most out of the fact that they now command almost double the horsepower they did when the Marshall plan began. And, horsepower per worker is a master key to productivity.

Last fall, I outlined to the Organization for European Economic Cooperation a goal which I believe can be attained over a reasonable period and which I believe contains the answer to Western Europe's internal economic problem as well as a large part of the answer to the problem of providing strength for the free world. I refer to the proposal that the countries participating in the Marshall plan increase their annual rate of over-all production by \$100 billion.

Clearly, over the next 2 or 3 years, the major European effort must be to attain adequate military defenses. Production must, to the greatest tolerable extent, be directed to that end.

This, in turn, means continuing the present lean and spare civilian economies. But, when defense goals have been reached, the productive power that has been generated and directed to the military build-up, can be turned to a general improvement of the conditions of living.

We calculate that a \$100 billion increase in production might well provide the base for a 50-percent rise in European living standards. We believe that a continuing movement toward this goal would be the best possible answer the communism. For achievement of this goal would strike not at a military manifestation but at the very core of the Communist appeal, namely, its promise of a better economic life for the free peoples.

From the outset of ECA, of course, we have provided Western European industry and agriculture with many productivity aids. We now are proposing an augmented program to this end.

Our problem is primarily that of changing traditional attitudes and practices; and while this venture is less costly in terms of dollars than is capital investment, it is far more demanding in terms of vision and resourcefulness.

Let me outline briefly the reasoning behind our estimate that economic assistance in the amount of \$1,650,000,000 will be required to build strength for mutual security in Europe during fiscal 1952:

First, the present European effort toward an adequate defense is a very substantial addition to the strength of the free world and produces far greater results at much less cost to us than if we undertook the effort alone.

Second, even so, the present effort is not great enough to meet the requirements of out-producing the slave world as quickly as necessary. Therefore, there must be a substantial step-up in this effort.

Third, without economic aid from us it would be impossible for the European effort to be sustained at the present rate, let alone to be increased and speeded up to meet the requirements posed by the threat of Soviet aggression. The present military effort, unaided by economic support from us, would place an intolerable strain on the economies of our European allies.

Fourth, if this were allowed to occur, we should soon see the return of Western Europe to the inflation, economic dislocation, falling production, decreasing exports and inability to pay for necessary imports—all the social and political instability and weakness which were present at the start of the Marshall plan. This would permit

conquest through internal subversion by the Kremlin and undo the results of our common efforts toward recovery.

Fifth, failure to make available the necessary economic aid for support of the defense build-up of Western Europe would also be likely to foreclose any possibility that our assistance program can be a temporary one.

Unless, of course, we took the unthinkable course of abandoning Western Europe, we should have to anticipate going on and on with our aid just to keep our allies there afloat and in a position to make some defense of the area.

Secretary Acheson and Secretary Marshall have rightly emphasized the possibility that adequate aid for the next few years, plus their own efforts, may be expected to place Europe in a position to carry their load unaided thereafter.

The European recovery program has taught us how important it is to have a terminal date for an aid program, and I believe the same principle is of vital importance in this new Mutual Security Program for Europe.

If we really mean business in this struggle which has been thrust upon us, and if we wish to help build the strength of our allies in Western Europe on a sound and lasting basis so that they may stand solidly on their own feet—and this is possible of achievement, I believe, in a relatively few years—then, the only way is to give steadfast leadership and necessary economic as well as military end-item aid in amounts sufficient to do the job.

The mutual security problem, however, is a world-wide one; its extent and its success depend upon the will and ability of free men everywhere. Thus, the program before you includes funds for economic and technical assistance in south and southeast Asia, in the Middle East, and in Latin America.

The funds for underdeveloped areas are small compared to those needed to bolster rearmament in Europe, but they are equally necessary to the successful efforts of the free world to balk the thrusts of Soviet imperialism in other vital areas of the world.

We have had valuable lessons of experience in China, Korea, and, during the last year, in southeast Asia, and I want to summarize them for you. Much of what I have to say probably applies to a greater or less degree to all the underdeveloped areas of the world, but I want to talk to you particularly about what it takes in economic terms to carry forward a real counter-thrust against expanding communism in southeast Asia.

Following my trip to the Philippines last November, I visited our Asia missions for first-hand consideration of the area's problems. I believe there is little question that unless the United States and the West take effective action to help the countries of southeast Asia along the road to stability and responsible independence, we will see an increase of Communist-stimulated chaos. Thus, they can be organized and exploited for the benefit of the Soviet Union, closed to trade, closed to western ties and culture, and closed to the growth of freedom based on responsibility.

Most of the countries in this area have only recently emerged from colonial status. Most of these countries were severely ravaged by World War II. Some are still beset by internal strife and guerrilla attacks.

Health, education, and transportation are at best rudimentary. There is no adequate reservoir of trained civil servants, no competent government services to handle reconstruction programs.

These countries are, generally speaking, rich in natural resources, but there is no balanced economy and, to all practical purposes, little industry.

It is natural that these new governments, recent successors of colonial administrations and military occupations, look questioningly as well as hopefully at us. It will take time for suspicions of the West to be allayed, and they are not sure in their own minds how completely we uphold their new independence and how seriously we hope to assist them in gaining the degree of economic independence that rightfully should be theirs as free nations.

This calls for our understanding of them. If we recall the early years of our own Republic, our jealous guarding of its new independence, our suspicion of the motives of the great powers of that era, we can better understand why our friends in southeast Asia sometimes express themselves in a challenging way that sounds very much like our assertions of 175 years ago.

The plain fact is, however, that these governments cannot, without our help, provide the advances and services needed by their people—or rather, cannot provide them quickly enough to offset and defeat the inroads of communism.

The security of free Asia depends fundamentally, therefore, on how effectively America and the west can help the governments of free Asia meet the elementary needs of their peoples.

This will require comparatively little capital outlay; rather it will require economic assistance, much of which is technical and advisory in nature. Some 80 percent of southeast Asia's population get their living from the land, but yields are too small. One major task, therefore, is to raise agricultural production by providing better soil care, better seeds, better livestock strains, by replacing the bent sticks now in use, not with costly tractors, but with steel plows and hoes.

Finally, we must take further positive action on our third great problem. It is an acute hindrance to production in the world today. I refer to the shortage of many important raw materials.

The industrial machine of our country and of Europe is today chewing up materials at a rate 50 percent faster than in 1937. Our problem is not one merely of stockpiling against emergency, but of expansion to meet current needs. Acquisition of raw materials has been a big job that must now become a much bigger job.

ECA is involved in several aspects of this problem. We are the agency approached by European and other countries receiving ECA aid when they seek a share of the materials we produce here or otherwise control.

We also have worked with many of the European countries in developing the resources of their dependent territories, especially in Africa. In that continent we have participated in opening new tin, diamond, cobalt, and other valuable deposits.

The new lead and zinc mines at Zillidja in French Morocco, the new bauxite operations in Jamaica, the cobalt and copper resources in North and South Rhodesia are among projects that we have forwarded.

We are also lending a hand to improve transport facilities to deliver larger quantities of materials more quickly to points of consumption. Typical of this kind of activity is our development of a full-size port at Beira in Mozambique.

In our development of raw materials sources and in their production and export, we cannot proceed in a nineteenth century attitude of rapid exploitation for cash.

Asia, Africa, and Latin America need, in exchange for their raw materials, consumer and capital goods. They want agricultural and manufactured goods—trucks, textiles, mining and engineering equipment. We must make this fair return, even out of our own scarce supplies, if we expect a free flow of raw materials—and of friendship and goodwill. More than this, we must furnish an example of our true and idealistic interest in a rational and just development of underdeveloped areas.

I have tried to outline to you some of the facts and principles underlying the program before you. There is one other overriding consideration.

Communism stands ready to move into every vacuum. We must not permit such vacuums to exist by any failure of ours to show the imagination and initiative demanded by world leadership.

We are alert to the dangers that confront us. But, we must be no less alert to the opportunities that are ours. The Mutual Security Program provides us the means of demonstrating our faith and confidence in the free peoples of the world.

It is a sound investment in peace. Without our help, our friends are exposed to the corrosion of communism from without and within. With our help, and with courage and resolution on the part of the free countries, the day will come when all of us can move forward with confidence into a way of life which provides the alternative to Communist slavery and the devastation of war.

Thank you very much, Mr. Chairman.

Chairman RICHARDS. Thank you, Mr. Foster. That was a good statement. I want to say for the record that regardless of what individuals may think of ECA and some of the details of its operation, I think everybody is agreed that both you and Mr. Hoffman have done a wonderful job with the tools you had.

Mr. FOSTER. Thank you, sir.

Chairman RICHARDS. Ladies and gentlemen, we will proceed under the 5-minute rule, first, and then the witness will be available for unlimited questioning.

I want to go back to page 2 of your statement. You have asked a question a lot of us have asked and a lot of us would like to have answered.

We started out with ECA in 1948, and our purpose was to end it by June 30, 1952. That is 4 years. As far as I have been able to find out, to all intents and purposes, this program in Europe has been completed, maybe in February of this year, with the possible exception of some little additional aid required for Italy, Austria, and Greece.

Why not wind this up right now and, if we should wind it up, create a new organization to handle the matter on the basis of economic production for military purposes, and turn over the residue of

your responsibilities and assets to a NATO, as such, in Europe? What do you think about that?

Mr. FOSTER. That is a perfectly fair question, Mr. Chairman. I can assure you that a great many people have given a great deal of thought to that question.

I understand you want to keep within the 5 minutes, so I will try to sum up the highlights of my opinion of that question in that time.

Chairman RICHARDS. I would appreciate it, and then you can develop it later.

Mr. FOSTER. Yes, sir. The job that lies ahead of us today is, in my opinion, a different job in many ways from the job that ECA was set up to do in 1948.

The job that ECA was set up to do in 1948 has, I think, been largely accomplished, as you said, and I think has been accomplished to an extent that few of us who were connected with this in the early days could have hoped for.

Had we been told then that we would have industrial production running at a rate of 40 percent or more above prewar, that we would have had agricultural production already up 10 percent over prewar, we would have felt that was almost impossible of achievement. That has been done.

Therefore, you are faced with the question, and it is a question that has to be decided in the United States Government, in my opinion, very promptly. That is one of the first considerations.

You are faced with the question of whether you should terminate ECA, as was promised in 1948, or whether you should continue it.

Mr. JUDD. Or terminate it a year earlier?

Mr. FOSTER. You can continue for an extended period, you can go to June 30, 1952, or terminate it earlier.

The first consideration which I think we should have is that we have created an asset for the United States in terms of people and procedures which, in my opinion at least, and I think I am objective in this, Mr. Chairman, I am speaking of the overseas missions, I am speaking of the good will which has been created in doing this job, I believe that is an asset that must be preserved in the interests of the United States.

It is perfectly possible to terminate ECA within a reasonable period, 60, 90, 120 days, after your bill is passed, and to make a transition to a new organization.

There have been many recommendations that that be done. As the Administrator, I do want to point out that in doing that you are running certain risks, a loss of people and momentum.

I think you have to weigh that possible loss against the promise which we made not only to the people of the United States, that this would be a 4-year program or less, but also the promise and the statement made to our friends around the world, that they could not depend on this aid for longer than 4 years and, therefore, they had to get their house in order by that time in order to pick up the load themselves.

I think we face a similar question today in advancing not only economic assistance but military assistance. If there is a record of having set up an economic recovery program on a fixed-period basis, and if we have achieved our purpose and terminated it within that time, I think perhaps psychologically we have a better background for

getting the same kind of cooperation in urging them to attain a military position at the end of a measurable period.

I am not taking a strong position on either one. I think that is a decision that the President and the Congress have to make, as to which is the better in the United States interests.

Chairman RICHARDS. You would write into this act that it be terminated on June 30, 1952, if nothing else, would you not?

Mr. FOSTER. I come out with the conclusion that, in view of the new kinds of responsibilities, at least at that time, there should be a new set of arrangements made to carry out this enlarged job. There remains a part of the other job, as you indicated, still to do.

Chairman RICHARDS. All right. That is the second point. Right now we will say there is a part of the other job still to do.

Mr. FOSTER. That is right.

Chairman RICHARDS. And that part is supposed to be dovetailed into the military-aid program, that is, the balance. Why could it not be dovetailed into that and turned over to NATO under a new organization right now?

Mr. FOSTER. I do not know what you mean by NATO in terms of the United States part of this job, Mr. Chairman, though NATO is a very important part of the international mechanism developed to carry out this job. Whatever is done in terms of ECA, as such, as Secretary Acheson said, you would still have to do three things: You would still have to undertake a military procurement and delivery program and development program; you would still have to undertake an economic aid and appraisal program; you would also have to coordinate those two activities with our basic foreign policy.

Those three things have got to continue, as I see it, no matter what you do as to the mechanics of doing it.

Chairman RICHARDS. Just 1 minute. My time is up, but I will want to go into that a little later. I call time on these other folks, so I will call it on myself.

Mr. JUDD. Mr. Chairman, I move your time be extended to let him complete his discussion on this point.

Mr. BATTLE. I will yield my time for that purpose.

Chairman RICHARDS. If anybody wants to continue this line, that will be all right. I am going down the line now.

Mr. BATTLE. I will yield my time to you, Mr. Chairman, in order to continue this discussion.

Mr. JUDD. I will yield my time to you, Mr. Chairman, because I think this ought to be at one place in the record. I can ask my questions the second time around.

Chairman RICHARDS. Doctor, you are going to have something to say. We know that. If your time is not available, you are going to be in a bad fix.

Mr. JUDD. Maybe you will get answers to my questions before you get to me. I hope so.

Mrs. BOLTON. I just want to support Mr. Judd's suggestion that it all be at the same place in the record.

Chairman RICHARDS. All right. That is 10 additional minutes. You may go ahead on that, sir.

Mr. FOSTER. I was saying, Mr. Chairman, you had these three jobs to do in any event, and I started to say, as a part of the mechanism to carry out those three jobs the NATO organization, which is an inter-

national organization, is a necessary part of the whole thing to continue. We are concerned in your question, however, with what should be the United States mechanism to get on best with the United States part of this over-all world job. I think there are perhaps four ways that that could be done, and I will outline four ways, as I see it, although there may be a number of other ways.

One, we could do, as is recommended in the President's message and in the bill, based on existing legislation, with some changes, and go ahead with an economic agency such as ECA--and it is possible to change the name, as was suggested the other day. We would need the military phases of this to be continued by the military. We would need the coordination of both of those by the State Department, and that coordination could be accomplished, as at present, through the International Security Affairs Committee, which was established by the President. That organization is working at getting the job done. It has had a good many weaknesses, which weaknesses, I believe, are being overcome.

You could move to a second alternative of the general nature of that recommended in the Gray report--the establishment of an Overseas Economic Administration which would continue with the kind of things that ECA has done, and you could add to it certain other economic functions, such as claimant agency work for all foreign countries; the development of strategic materials for the free world; a greater responsibility in terms of loans; a greater responsibility in terms of technical assistance; a policy guidance, perhaps, on export controls; the procurement of materials for the United States, which is now done in several places in the United States Government.

Another method which could be used is a combination agency which would have both military and economic functions, as recommended in the Committee on the Present Danger Report.

Or, you could move to what perhaps for long term purposes more nearly conforms to the spirit of our constitutional set-up. You might move toward a Department of Foreign Affairs, which would have an Economic Section, a Military Section, an Information Section, and a Political Section, under an expanded, unified Department of Foreign Affairs. The economic functions which are now carried out by ECA might properly be put in that with somewhat the structure that you now have in the Department of Defense, with coordinated departments under the Secretary of Defense.

The unthinkable thing, from my viewpoint, at least, would be to let ECA terminate on June 30, 1952, or earlier, with no alternative as a means of carrying out what I consider to be, and which I stated in my prepared statement to be, the necessary economic functions to discharge the responsibilities for leadership which we have in the United States, whether we like it or not.

One variation of those four alternatives which would be to take the functions that ECA now has and parcel them out among present agencies of the Government. That would be a dismemberment, and I think it would be a dismemberment which would be fatal to the patient. I mean by that we have these claimant functions. You could give that to the Department of Commerce, who is effectively carrying out part of that for part of the world now.

The dismemberment to which I refer as being fatal would consist of what I believe would be the breaking up of a very effective oper-

ating organization which has, in terms of the interest of the United States, assets which, with the world as it is, I do not think we can afford to lose today.

I think there are many other studies and ideas on this general subject.

You all, of course, read the Gray report and the Rockefeller report and the Committee on the Present Danger report and the Brookings report. Also, the Bureau of the Budget has made a number of studies, as have other private organizations. The NAM has made some recommendations. Also, the Chamber of Commerce, and everybody and his brother, I think, has an idea as to how this should be done. So that I do not want to be too dogmatic in making any specific recommendations, but I would like again to emphasize what I think are three principles—three fundamental principles that, from my experience, I believe, should be kept in mind.

The first is that if you have a clear operating job to do—and I think we have in building economic strength to support military strength in the free world—I think it can be best accomplished by delegating to an independent operating organization of stature, responsible to the President of the United States, that particular job of operations within the framework of foreign policy.

Second, and I am very proud of this asset—I think we do have a current asset in terms of people and methods in ECA which has done a job for 3 years and obtained the confidence of the countries with whom it works around the world, and has obtained at least to some degree the confidence of the Congress and the people of the United States, and which has worked out institutional relationships not only within its own organization, but with the other departments of the United States Government.

All of those things take time and energy, and thought, and should not be lightly discarded.

The third one is this—and it is a corollary of the last one I mentioned—whatever is done, I recommend it be done promptly, so that we do not lose by attrition the benefits of that asset to which I have referred.

I could talk on this almost indefinitely, but I think those are the highlights of the basic principles which I believe should be maintained.

Chairman RICHARDS. What do you mean by "promptly"? Do you mean in this act, that is, in the law we pass this year, if we pass it?

Mr. FOSTER. Yes, sir. I think so. I think in view of the questions that have been raised, and in view of the many suggestions that ECA be terminated, that it is very essential that you in your wisdom, and the Congress, come out with any legislation which is directed to that end, and do it promptly, and do it at this session, if possible. Otherwise, I am sure that as always happens in the case of an agency whose future is uncertain, you inevitably lose a lot of your very best people who, at a time when there are great requirements for brains in private industry and in government, will, of course, move to those jobs where they think they are going to be useful over a longer period.

Chairman RICHARDS. Would you put a terminal date in this act for military aid too?

Mr. FOSTER. I think that has great psychological advantages. I know in Europe in our early attempts to get the cooperation and energetic acceptance of programs by European governments, the fact

that we could say to these people, "Gentlemen, you cannot delay; you must not procrastinate; you must move ahead with these things, because come 1952, or perhaps earlier, you will be faced with the necessity of being on your own feet, and you will not have this aid any longer available"—I think that psychologically was a great help in getting on with the job, Mr. Chairman.

Chairman RICHARDS. Mr. Foster, the additional 10 minutes have expired. Unless some of the other members would like to go along on that, I will start around the table and I will allow the time for that purpose. Mr. Vorys.

Mr. VORYS. No questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Gordon.

Mr. GORDON. No questions, Mr. Chairman.

Chairman RICHARDS. Dr. Eaton.

Mr. EATON. No questions at this time.

Chairman RICHARDS. All right. Mr. Mansfield.

Mr. MANSFIELD. Mr. Foster, as always, it is a pleasure to have you before this committee and to partake of the benefits of what you have to say.

Carrying on this subject along a little different line, what countries do you anticipate can be taken out from under the European recovery program before the end of June 1952? I should say, what additional countries?

Mr. FOSTER. Yes. You are familiar with the fact that in Portugal, and Ireland, and Sweden, and in the United Kingdom, we have asked for no funds for economic assistance in our proposed bill.

To answer your further question is rather difficult because it depends to a considerable extent on the load which the countries pick up and the speed with which they undertake an additional arms program.

Chairman RICHARDS. Mr. Mansfield, it is possible that the witness would rather answer that in executive session. I do not know. If you do, say so.

Mr. FOSTER. My difficulty is I really cannot answer it because it depends on the load they undertake. If certain countries do no better than they have done so far, perhaps it would be unnecessary to have that economic assistance. I would prefer to specify which those countries are in executive session. However, our request to you for funds is based on our anticipation of the load which the proposed programs will put on those countries, and on what the countries will do in terms of political and economic decisions to carry it out. The effect of that 6 or 7 months from now is very difficult to anticipate.

I can say this: I think you may have something of this sort in mind. It is my opinion that at least this part—the economic recovery part of the Mutual Security Program—is one in which the amounts we will request next year would be less, rather than more, based on any projections we can make today.

Mr. MANSFIELD. Well, Mr. Foster, I am in full accord that this program, as such, should cease in 1952, and I have stated so on a number of occasions in the past 2 years. I know also you and your chiefs of missions in the various countries have issued statements to the same effect that the ECA end in 1952. I think, therefore, on the basis of the facts as we see them, that the program should continue to June 1952, because there are certain countries that, so far as I can see, you cannot take out from under the program, and that would be true

not alone by that date, but some consideration will have to be given to those particular countries after that date.

I refer specifically to Italy, with its huge population and land problem; to Greece, which is in somewhat the same category; and to Austria, in which we have a peculiar interest as an occupying power in a liberated country.

Those nations are not and will not be able to stand on their own feet, economically speaking, at the end of the ECA program in June 1952. Is that right?

Mr. FOSTER. I doubt that they will, and I would add perhaps Iceland to that as another country. Did you mention Germany?

Mr. MANSFIELD. No.

Mr. FOSTER. Well, Germany is questionable. I do not know. There are probably six countries that might, even with the best of luck, have required continued economic assistance today, even though they had not faced the additional burdens due to this rearmament activity.

Chairman RICHARDS. Your time has expired, Mr. Mansfield.

Mrs. Bolton.

Mrs. BOLTON. Mr. Chairman and Mr. Foster: You have perhaps 540 persons in your organization abroad, or something like that. Is that right?

Mr. FOSTER. No. We have more than that, Mrs. Bolton. We have ceilings roughly in Europe of 1,100 Americans.

Mrs. BOLTON. Well, some of those are staff people, are they not?

Mr. FOSTER. Oh, yes. A good many of them are staff people.

Mrs. BOLTON. That is what I mean. I was speaking particularly of the top groups.

Mr. FOSTER. Officers and technicians.

Mrs. BOLTON. Let us not concern ourselves with the exact numbers particularly, but what I was wondering about was whether the change from or the emphasis on the economic to the emphasis on the military would mean a change of personnel or just of emphasis?

Mr. FOSTER. No. It will mean a change of personnel, which has already begun to take place, because we have been shifting our focus of activity starting last fall.

As I indicated in my statement, we believe that one of the most productive ways in which we can use our resources is to increase productivity. In fact, unless we are able to increase productivity it would seem to us impossible to do this job as we see it, and impossible to get sufficient production, so that we can meet the need of additional military goods as well as maintaining a decent standard of living.

Therefore, we put more emphasis on the productivity aspects of our field activity than in previous times, and that has meant somewhat less emphasis on economic appraisals, and has meant a change in personnel, which has been underway for some months and is being accelerated in the expectation that we will be successful in getting funds to go on with this job as we see it.

The numbers may remain about the same, but the kinds of people are changing, and some of the sizes of the missions are changing, because we may need more people for this sort of thing in France, as an example, than we would in Norway, which has not so many opportunities for increased industrial production!

Mrs. BOLTON. When I was there 2 years ago in Paris I spent quite a good deal of time in the Department in Europe, particularly in the industrial end. I was particularly interested in the type of men you had, and their thorough comprehension of what was going on. I just wanted to know what you are doing in view of changed conditions.

May I ask about the possible pool of strategic materials? We have had occasional word that the countries of Europe have felt that the United States was taking too large an amount of the strategic materials which have been and are in scarcity, if we are expecting them to go into production. Is there any method being developed to divide these strategic materials a little more realistically?

Mr. FOSTER. Yes, Mrs. Bolton. That is a real problem and is a very natural sort of development. We, as the greatest industrial Nation in the world, accepting as we have the responsibility of providing much of the goods to start this program—

Mrs. BOLTON. May I interrupt at this moment, Mr. Foster?

Mr. FOSTER. Surely.

Mrs. BOLTON. I think it was during General Marshall's testimony there was developed the fact that France could make parts of war materials, as was brought out at that time, and it was said the United States wanted to send over a complete product rather than only the parts, that the assembling which could be done in France was not being done because our military are a little insistent on doing it all.

Is that part of your problem in materials and so on?

Mr. FOSTER. I think at the start of the program it was. I think much progress has been made. The method through which we are attempting to get a fair allocation of materials, so that we can have these other countries make their contribution, is through a series of international materials committees. They have been established under the Defense Production Administration. The policy under which those allocations are made, in general terms, has been set forth in a document issued by Mr. Wilson not long ago. That document was actually prepared by a Committee of which I happen to be the head, the Committee on Foreign Supplies and Requirements. It sets forth the basic procedures under which materials should be shared in order to develop best a balanced strength at home and abroad. That is a statement of what you want to aspire to. It will never be achieved in exactly those terms.

Since the United States does have means of getting a good many of these materials there have been in the past some accusations that we are taking too much. I think that is a false accusation. I think we have made very equitable distributions of such things as sulfur and molybdenum, of which we are the largest producers in the world, and because of that we are getting the same kind of cooperation from other nations who supply us with what we need.

Mrs. BOLTON. Thank you.

(The following was submitted for inclusion in the record:)

ECONOMIC COOPERATION ADMINISTRATION,
Washington, D. C., July 11, 1951.

HON. FRANCES P. BOLTON,
House of Representatives, Washington, D. C.

MY DEAR MRS. BOLTON: The following paragraphs contain answers to the questions which you asked me at the committee session on Tuesday, concerning the Financial and Economic Board (FEB) of the North Atlantic Treaty Organization.

Background; why was it created and by whom

Ever since the beginning of the NATO organization there have been a constantly increasing number of financial and economic problems varying in scope from the general problem of financing the rearmament effort to the specialized problems of raw materials, shipping requirements, etc. In the early stages, these problems were entrusted to a number of special working groups under NATO. When it became clear that the financing of rearmament would be a major limiting factor in carrying out NATO military and production plans, the United States proposed in the NATO Council Deputies that all of the financial and economic activities of NATO be handled in one Financial and Economic Board. This proposal was adopted on April 30, 1950. The new Board is thus one of three major segments of the NATO organization, the other two being the Military Committee (and standing group), and the Defense Production Board. These three elements are coordinated by the Council Deputies.

The Financial and Economic Board was set up in Paris in order to take full advantage of the secretariat and national delegations to the Organization for European Economic Cooperation. You will remember that the OEEC represented a very important step in trying to get unified thinking in Europe with respect to the common economic and financial problems; FEB represents another very important step in this direction.

What has it accomplished?

FEB was set up only a few weeks ago. The principal task undertaken by the Board to date is the "burden sharing" study. This involves the submission by each member of NATO of a detailed account of the military effort it is making and of the impact of that effort upon its economy. Member countries are subjected to a detailed cross-examination of their submissions which cover the magnitude of their effort, the measures they are taking to maintain the stability of their economies, and the effects of their military expenditures upon levels of consumption and investment as well as upon their balance of payments. On the basis of these examinations, the FEB is expected to arrive at conclusions and recommendations regarding the relative burden assumed by each country and to make recommendations with respect to aid so as to assure an equitable sharing of burdens. While these recommendations are not binding on any of the member countries, they should promote the assumption by each country of its fair share of the economic burden of maintaining the defenses of Western Europe.

During this period FEB has also initiated studies of the defense shipping requirements and has begun to consider the problems involved in financing the carrying out of DPB's recommendations on production.

Backstop arrangements

Backstopping for Ambassador Wood is provided by the Program Division of his own staff in Paris; the staff of the Assistant Administrator for Program in ECA/Washington; and an Interdepartmental group chaired by ECA (under the International Security Affairs Committee) which brings to bear on the problems dealt with by the FEB the points of view and information available to the Departments of State, Defense, Treasury, ECA, and Mr. Harriman's Office.

Sincerely yours,

WILLIAM C. FOSTER, *Administrator.*

Chairman RICHARDS. Thank you, Mrs. Bolton. Both the reporters and the press have requested that the witness and the questioners speak a little louder so that they can hear the questions and answers.

I believe, Mr. Battle, we skip over you now, do we not?

Mr. BATTLE. Yes, sir.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Mr. Foster, in your prepared statement you referred to the standard of living of the people of Europe and said that the average per capita was about \$525.

Mr. FOSTER. That was France, Mr. Smith.

Mr. SMITH. That was France?

Mr. FOSTER. Yes.

Mr. SMITH. What was it in 1948, do you know, Mr. Foster?

Mr. FOSTER. I would have to check this figure. My recollection is it was about \$400. I can get that for you. It was somewhat lower, Mr. Smith. They have made, as I indicated, a very substantial improvement, but 1948, I can assure you, was a very low level indeed.

In 1948, the per capita income in France, in 1948 prices, was estimated at \$380. A better comparison, which permits adjustment for price changes, is the per capita gross product at constant prices, which was \$591 in 1948 and \$667 in 1951.

Mr. SMITH. With productivity up 40 percent or more, should not the standard of living be greatly higher than what you enumerate here?

Mr. FOSTER. The standard of living has improved. The production to which you refer is industrial production, however, and much of that has gone into increased capital facilities in order to build up the plant which would continue this, come the end of the Marshall plan.

In other words, very little of the increased industrial production has as yet in most of these countries become available to the people of these countries in terms of better standards of living. I think as a general statement most of these countries have reattained about the level of their prewar standard of living in terms of availability. In terms of variety, in terms of a wide choice of things to wear, and eat, and enjoy, the levels are not as good as they were before the war.

However, we have deliberately encouraged relatively a much larger investment program in these countries than has been undertaken in the United States, undertaken with the view of their being able at the end of the Marshall plan to support themselves without external assistance.

Mr. SMITH. Is that not the basic thing that we are driving for if we are going to make any successful counterattack against communism? These people are not concerned about whether they live under a republican form of government or whether they live under communism if they can get a decent standard of living. Until they attain a decent standard of living I cannot see how we can make much progress by rearming them.

Now, we admit that this rearmament program is going to have a considerable impact on the standards of living. For myself it seems to me that we have neglected to approach the problem from the economic standpoint. In other words, until we can help to create a more favorable attitude on the part of these people through economic stability we cannot hope to do much to defeat communism; until this is accomplished we cannot hope to reach our objectives. We have not succeeded in moving toward political and economic integration and I doubt that we have spent our money wisely.

If you would care to make an observation on that, I would like to have it.

Mr. FOSTER. I think fundamentally you are quite right. I think men do not always live by what they have. I think what we have been able to do is to give them a hope that they would have something better through this continuing improvement. I think more important, perhaps, in many instances, than actually having it in hand is the hope of something to aspire to. I think that is the great difference between Europe today and Europe in 1947 and 1948, when they had none and when they were living under these desperate conditions.

We have not done enough toward the thing you speak of. We have not been able to see that the benefits of this increased production have gotten down to the people who are producing, and the great mass of people. With the help of many sectors of our own economy we are devoting much of our emphasis to that now.

We have had the strong and very useful support of the American free labor unions in doing that sort of job abroad. We are hopeful that this productivity drive on which we are putting so much emphasis will be accompanied by a fairer division of the additional fruits of that productivity, so that the additional production will be divided not only to the owners of the businesses, but will also get to the consumers, and to the workers, so that you will get a better standard of living among the workers and the mass of people in these countries.

You are quite right. Until we are able either actually to accomplish that, or until we are able to give them a greater hope of that early achievement, we will not get the support of the peoples for the kind of life we are promoting, and for the things we are trying to get done.

Mr. SMITH. I think we are coming out second-best on the propaganda that the Communists are advancing, namely, bread and peace. That is what they are talking about.

Chairman RICHARDS. Your time has expired, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. In assuming or stating that the purposes of the ECA are largely accomplished, are we assuming that the European countries have developed an economy strong enough and productive enough to produce a reasonable standard of living for their people?

Mr. FOSTER. Mr. Carnahan, we had hoped that they would, and had it not been for the new need of taking great quantities of available goods out of their production for purposes of rearmament, we had hoped that they would be in that shape, on a thin basis, but on a bearable basis.

What has happened, as Mr. Smith indicated, was that the diversion of the production to this new build-up of military strength does interfere with the availability for consumption, and it does give us a great problem of balancing the military build-up against the need for maintaining a decent standard of living.

The only way we can get it is by still greater production and productivity plus the fact that for the foreseeable future we will have to continue to give them economic aid, as well as military end-item aid, because without that in handling both those jobs they would not achieve what you have in mind.

Mr. CARNAHAN. Is not this new demand then for military aid a justification for further continuation of the thing we have been doing under ECA?

Mr. FOSTER. In that sense it is, since the economic assistance we give will be partly for the purpose of providing commodities that they will have to have to eat and enjoy. But, the great part of this new aid we are asking for—the \$1,650,000,000 for Europe—is that which is designed to build up the productive facilities so that within a reasonable period they will be able to sustain this military load without the need of necessary end-item assistance from us as well.

In other words, if it were possible to divide the \$1,650,000,000 into two parts—and it is not, because they overlap—the smallest part of that amount would be for the purpose of commodities to sustain the standard of living. The largest part of it is for the purpose of building up productive facilities, purchase of raw material to assume the military production load, which is the other part of the twin job we now have.

Mr. CARNAHAN. Will the assumption of carrying the military load mean a reduced standard of living for the masses?

Mr. FOSTER. It may well lead to that in some countries. The question is always on the part of the governments of these countries, as to whether they can afford to cut back the standard of living in the particular country in order to undertake this additional military load. With the economies so thin in some countries that will be very difficult to do. In fact, it will be difficult in all the countries, but it will be much more difficult in some countries than others.

We have a very difficult job, and a very difficult choice always, as to whether that will defeat the purpose we are trying to achieve or not. If it goes too far, of course, it may, as Mr. Smith said, make a reduction in the standard of living which may put us back to where we were in 1948. That is the dangerous and difficult choice we have ahead of us in all these determinations.

That is why when we say, "Can they not arm faster than they are?" that final verdict is one that we cannot make for them here. That is a verdict that in most cases the governments of those countries have to make. Of course, we want them to go just as far as it is possible to go, but we recognize they must not go so far that they will lose what we have built to date in these last 3 years.

Mr. CARNAHAN. Of course, it is not possible to build a military strength unless you have an economic base to support it.

Mr. FOSTER. It is absolutely impossible, and the military strength, in my opinion, would be of little avail unless you had economic strength behind it.

Mr. CARNAHAN. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. Mr. Foster, you have stated, and I believe correctly so, that there is only one way in which Europe can shoulder a larger rearmament effort, and that is by way of increased production and greater unification. Is not greater unification one of the fundamental prerequisites to increased production on the Continent?

Mr. FOSTER. Yes, sir. It is. Without it you do not have the free flow of materials; you do not have the outlet for the production that you are moving toward. Therefore, a prerequisite of this greater strength is greater unification.

I think General Eisenhower made a very excellent statement of that in his speech before the English-Speaking Union in London a day or so ago, on July 4. It is something we have pushed very hard ever since the spring of 1948, and I think in terms of accomplishments as contrasted with a normal pace in history, we have made a lot of progress, but there is still a great distance to go.

Mr. MERROW. That leads me to ask the second question.

You point out that there have been substantial gains toward greater economic unity, and you cite the European payments program and

the Schuman plan. However, even though there has been that progress, that progress is not as great as you think it should have been?

Mr. FOSTER. No. We would like to have seen even greater strides toward unification. We would like to have seen the complete elimination of quota restrictions—quantitative restrictions on trade between these countries. We would like to see the procurement of goods for this military effort done freely across the international borders. We would like to have seen the Schuman plan come into full being before this time. It is not as yet ratified, as you know, by the governments themselves. It has been initialed by the ministers and we are hopeful it will be accepted, but many of those things we had hoped for long before this time.

However, there is one other organization and one other effort which I would like to refer to briefly, if I may. That is the Organization for European Economic Cooperation. In my opinion that is one of the greatest evidences of at least economic integration that has ever taken place as between sovereign governments, and I think in their 3 years of life their achievements are tremendous, and I think they are continuing. I am hopeful that with their continued efforts and emphasis they will bring about some of these other, faster movements toward complete integration of the economies of Europe, without which we will always be handicapped in achieving this build-up of complete strength.

Mr. MERROW. You are asking for \$1,650,000,000 for economic aid.

Mr. FOSTER. That is for Western Europe.

Mr. MERROW. Yes. What harm would there be in making progress along the lines you have spoken of, by establishing certain conditions that we expect fulfilled for the giving of this aid? In other words, condition the aid by insisting that progress in the field you have mentioned must be made.

Mr. FOSTER. There are certain statements in the present legislation, Mr. Merrow, that set forth the desires of the Congress and the people of the United States to that end. If you are too specific in your conditions as to what should be done within certain times it does seem to me that you may lose the really strong motivating force, which is the willingness and the desire of these people to do this themselves.

Now, this whole effort, I think, has been based on the philosophy of our helping other countries to help themselves. The job has been done by them. It has not been done by us to the greatest extent. We have given the essential marginal assistance in this job, but basically the genius of this plan, in my opinion, was its emphasis on their helping themselves.

If you put such strict requirements as to time and specific acceptance in a bill that it perhaps reduces their freedom of action and their whole-hearted support of an activity, you may lose some of that spirit from within that gets the job done.

I have felt always in the imposing of conditions that we should be very careful, and we should have in mind that this is a partnership as between full partners, and is not an attempt by us to tell these countries exactly how they should meet the conditions which they usually know somewhat better than we.

Mr. MERROW. But if you spend the money without having any conditions the day will come when you have no leverage left, and the goals that you have set for them will not be obtained.

Mr. FOSTER. Well, we have methods of achieving the objectives of the legislation, because we do not have to release the funds. My point is I would prefer it not be too strict a specification as to how, when and why. I think you need flexibility, in other words.

I think the objective should be stated. I am perfectly in accord with you on that, but I think if you state the objectives and say, "You will not get this money unless you achieve this particular objective in this particular time," I think you may lose the motive power of this activity.

Chairman RICHARDS. Your time has expired, Mr. Merrow.

Mr. Zablocki.

Mr. ZABLOCKI. I really do not have any questions, Mr. Chairman, but I do wish to take this opportunity to express my sympathy with the problem you have to face, Mr. Foster. The critics who are charging that there is insufficient military cooperation by our allies, admit that the military effort in Europe is and may further hamper the economic recovery progress. These same critics in past years sought to limit drastically, opposed and criticized our economic aid to those countries. In my humble opinion, our allies on the whole have done remarkably well economically and militarily, considering their circumstances. It appears they criticize and oppose simply for the sake of opposing any efforts.

Mr. FOSTER. Thank you, sir.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. First, I would compliment you, Mr. Foster, and your excellent organization. I think you are doing a very fine job. We in America are very pleased at the acceptance ECA has received everywhere, and at the tact and diplomacy with which it has been carried on.

You have made a suggestion that there be a Department of Foreign Affairs. If that is the case, as a suggestion, what would you then call the State Department?

Mr. FOSTER. Mr. Fulton, I suggested as a possible alternative that that was one way of handling this particular sort of activity. If this were undertaken this would supplant the State Department. In other words, it would be a Secretary of Foreign Affairs who would be the man in the United States Government in charge of our foreign policy, and the top administrator of these coordinated departments, namely, the Foreign Economic Affairs, Foreign Military Affairs, Foreign Information Affairs, perhaps, and Foreign Political Affairs, or whatever you might call that.

Mr. FULTON. So that if that technique were adopted—not saying we were adopting it—it would result in the abolition of the State Department?

Mr. FOSTER. I do not want to be misquoted in any sense of the word, Mr. Fulton.

Mr. FULTON. No. In our present sense of the State Department.

Mr. FOSTER. I think it would supplant the State Department; yes.

Mr. FULTON. And it would really put the economic matters higher than the policy matters in such a department?

Mr. FOSTER. No, I do not think so. The Secretary of State would be charged with the foreign policy of the United States—the Secretary of Foreign Affairs, in my opinion. This is not a thoroughly thought-through suggestion, I might say.

Mr. FULTON. And it is only an alternative?

Mr. FOSTER. It is only an alternative. He, as always—the Secretary of State, or the Secretary of Foreign Affairs, or whatever his title might be—would be, as presently, charged with the foreign policy of the United States under the President, and the foreign economic affairs would be on a par with these other departments, which would report to this super-Secretary. They would be equivalent to the political desk, if you want to call it that, and equivalent to the foreign military activities, and equivalent to perhaps an information, or whatever you want to call that activity, but would not in any sense be superior to—

Mr. FULTON. The policy-forming body?

Mr. FOSTER. That is right.

Mr. FULTON. There is now a group that is just leaving for Europe on a trip from the United States that has been announced as a demonstration of the height of unausterity. They are supposed to be doing the tour in an old-fashioned reckless style. These special tourists will have special trains for them, and special cars. They will be seen in all the European cities with a chauffeur and a footman, and each one of them will have a separate automobile. Now, why do you not ask to have their passports canceled, because while the ECA may be saying to the little people of Europe to pull in their belts, reduce their standard of living and accept a program of austerity, you can never undo what those 17 people will do in 3 weeks in Europe. You will never undo it by a Voice of America program saying that there are two cars in every garage in America, against such a publicized and organized demonstration.

I would like to stop it and block it, because they have blatantly announced this trip as a demonstration of unausterity at its peak.

Our Government officials come up before this committee and say we must reduce the common people of Europe to the point of austerity, and to the point where we almost force them into communism. How can we sell them as a propaganda matter on our type of life when we permit through the State Department such a thing to go on, blatantly challenging everything that we do around this table?

This group has adopted the opposite of what we in the Government have said should be our approach toward our mutual security program, that we want austerity here and controls here. This group openly takes the opposite of what we say, and, as a propaganda move, goes through Europe and destroys everything that we build up, and does it with Government consent.

Mr. SMITH. Will the gentleman yield?

Mr. FULTON. I yield.

Mr. SMITH. For the sake of the record, who are these people?

Mr. FULTON. I guess we had better not identify them by name, Mr. Smith.

Mr. SMITH. Where are they from? Are they from Congress?

Mr. FULTON. Their names are in the papers.

Mr. FOSTER. No; they are private individuals.

Mr. JUDD. They are paying \$14,500 apiece for the privilege of throwing away the money which is burning holes in their pockets.

Mr. BATTLE. They must be Republicans, because no Democrats have that much money.

Mr. JUDD. It's only the Democrats who have been on the payroll these 20 years who have that much money.

Mr. FOSTER. Mr. Fulton, I think it is a very unfortunate example.

Chairman RICHARDS. Your time has almost expired. Do you have a question, Mr. Fulton? You have half a minute left.

Mr. FULTON. There is a serious side to it. When we are trying by words to convey an impression for our mutual security and then by deeds permit passports to be issued for such a thing, then certainly I believe we ought to combine our passport policy, and our economic policy, and our foreign policy, and see that we put our best foot forward. Do you not agree with that?

Mr. FOSTER. I agree this is a very unfortunate example. The only thing I will say is that it does provide some dollars for those countries which are short of dollars. As to whether we should use the visa to restrict the independence of the American citizen who wants to spend his dollars abroad that way, I have no opinion on that.

Mr. FULTON. You certainly do not say it is justified?

Mr. FOSTER. I think it is a very bad example.

Chairman RICHARDS. The gentleman's time has expired.

Mr. Ribicoff.

Mr. RIBICOFF. Mr. Foster, would you estimate that the Soviet is spending in excess of \$1,650,000,000 throughout the world for propaganda, subsidization, and subversion?

Mr. FOSTER. I am sorry; I did not get that question.

Mr. RIBICOFF. Would you estimate the Soviet Union is spending in excess of \$1,650,000,000 a year throughout the rest of the world for propaganda, subsidization, and subversion?

Mr. FOSTER. I have no quantitative estimate on that. They are spending tremendous amounts, which are substantially in excess of any amounts we spend for that purpose. Whether it would come to that total or not, I do not know, and I am not sure that much of what they do costs them very much money. Certainly they have hundreds of people engaged in it; certainly they issue thousands of manifestoes; certainly they control many organs of public opinion.

I have no really good opinion on whether the total would come to that or not.

Mr. RIBICOFF. Mr. Foster, from everything you have said it would appear you cannot separate economics from our foreign policy and our diplomacy. Is that correct?

Mr. FOSTER. That is correct, sir.

Mr. RIBICOFF. Are you not and are we not kidding ourselves when we talk about terminating this program by June 30, 1952, and then giving it another tag?

Mr. FOSTER. If it is simply a question of another tag, I think you are probably right. However, I think that the job from here on is a somewhat different one, especially if new functions were added to the Economic Aid Administration—as might be done under two of the four alternatives I mentioned earlier.

Now, I think that there is a grave question in terminating it, as I pointed out, because I think you do run a risk of losing assets, which in my opinion are very useful assets to the United States.

Mr. RIBICOFF. Then why do we not be realistic and tell the other Members of Congress and the people of the United States, that although we originally thought we could finish in 4 years, we now find we cannot, because of the world situation? Do you not think frank-

ness on your part and frankness on our part is the best way to handle the situation today?

Mr. FOSTER. I am thoroughly in accord with frankness. I think, however, the job is a different job, and I think it is quite appropriate, therefore, to recognize it as a different job. I think that is not in any sense covering up the situation. I think it is a question of balancing the gains and losses in making this transition.

Mr. RIBICOFF. All right. For 4 years you have built up all over Europe—and when we go over there we see it—the symbols ECA, ERP, and the Marshall plan. You have made an impact on the mind of the world and on the mind of Europe with these symbols. Good symbols are hard to build up. Are we going to do comparatively the same type of work in the new program and then change all our symbols? That, I think, is something to consider in scrapping ECA.

Mr. FOSTER. I agree.

Mr. RIBICOFF. And in scrapping ERP.

Mr. FOSTER. I agree. I think you have to weigh that against carrying out the promise that we would be through with the job in 1952.

Mr. RIBICOFF. Another question, following up what Mr. Smith said about our propaganda line. We constantly emphasize the defense and security against war. Now, in ECA we are trying to sell the Congress and the people that economic aid is just an incident to the military. Do you really believe it is just an incident, or do you believe that economic assistance is part and parcel of our foreign policy, and that we should put our economic assistance on the level where it belongs, separate and distinct, or as important a part of our foreign policy as military aid, even though it does not take as much money?

Mr. FOSTER. I think it is just as important as is our military aid in terms of our foreign policy. I think the continuance of it on that basis is vital. I think it should retain the standing within foreign policy that it now has, of an independent agency of stature.

I am a little confused as to how to answer the rest of your question. I believe that this is something without which the foreign policy of the United States could not be effective, and therefore I think it is in the interest of the United States to go on with our economic leadership and help to the rest of the world, as a part of our achieving our broad objectives in the world, and this kind of an agency, with another name, perhaps, and perhaps with a slightly different form, is essential to that end.

Chairman RICHARDS. Your time has expired, Mr. Ribicoff.

Dr. Judd.

Dr. JUDD. My time was yielded, Mr. Chairman.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Foster, we are, of course, very glad to see you here. You and Mr. Hoffman have made favorable records in this country and throughout the world. We have been up against two deadlines here recently, one on appropriations and one on the Defense Production Act. What is our deadline on this act? Will you tell us just what we are supposed to do, and by when we are supposed to do it, Mr. Foster?

Mr. FOSTER. At the moment, Mr. Javits, we are in business on a temporary basis. Each year, as you recall, we come before you for

an authorizing bill, which we do not have at this point, to go on into fiscal 1952. We are operating, therefore, under the continuing resolution, which imposes many handicaps, because it does not recognize the new character of the job we are doing. Therefore, the deadline is yesterday, really, in terms of getting the bill through.

The other deadline is one to which I referred a little earlier, which is that unless we get a prompt decision on what we are doing, we are going to lose, as we already are losing, the people who are part of this asset to which I have referred.

So that I can only plead with you, sir, and your colleagues, that the sooner we can get on with this bill, the better it will be for us and the world, in my opinion.

Mr. JAVITS. Do we have any deadline as far as our relations with other countries are concerned? After all, that is the big thing.

Mr. FOSTER. No, sir; except that operating on this basis we are not as effective as we would be with the definite program ahead. Due to our relationships, which Mr. Ribicoff referred to, I think we can hold the confidence of the people with whom we work; but it is much more difficult, and it would be more effective with a definite program and a definite set of objectives in the law.

Mr. JAVITS. It is a fact that to the extent of \$500,000,000 of requested appropriation for economic aid, the difference between \$1,600,000,000 and \$2,200,000,000 in round figures, you are embarking on almost completely new programs in the Far East, Africa, the Near East, and Asia?

Mr. FOSTER. Almost entirely new programs. We have had since last summer small programs in the Far East in our STEM missions. The \$375,000,000 for the South and Southeast Asia is a substantial increase over last year's activities. The \$125,000,000 in the Middle East is a substantial increase, and the Latin-American is about the same, I believe. So that we could propose to undertake new programs in several countries and did increase the programs in most of the countries where we have just gotten under way.

Mr. JAVITS. You are really going to underdeveloped areas also in order to develop new and much bigger sources of raw materials; are you not?

Mr. FOSTER. That is certainly one of the objectives, although the basic objective, Mr. Javits, is to build up those economies, so that they are stable peoples and have a chance to survive in this world of today. One of the possible benefits that would come to us out of that is an increased availability of strategic materials, but I think that unless we are able to build that stability, that benefit would be of little avail over the long haul.

Mr. JAVITS. Are you asking for enough money to do the job that needs to be done, or are you just asking for what you think you can get from Congress?

Mr. FOSTER. We have always come to you, sir, with what our best judgment is as to what the minimum is to accomplish the objectives we have. We believe with this amount we can do a good job and achieve what we have stated to be our objectives, and what are the interests of the United States.

Mr. JAVITS. Do I have time for one more question, Mr. Chairman?
Chairman RICHARDS. Yes.

Mr. JAVITS. The reason I made that statement was this: On page 8 of your memorandum you make the statement:

This will require—

speaking of this new part of the program in Asia and in Africa—

comparatively little capital outlay; rather it will require economic assistance much of which is technical and advisory in nature.

When you turn over on page 9, you yourself tell us, speaking of these areas:

They want agricultural and manufactured goods—trucks, textiles, mining and engineering equipment. We must make this fair return, even out of our own scarce supplies, if we expect a free flow of raw materials * * *

That strikes me as a much bigger order than just a little technical assistance and advisory assistance such as you referred to on page 8. Can you make any comment on that?

Mr. FOSTER. Yes; I will be happy to. The reason for that is that most of these countries actually do have materials which they can sell to us for dollars in sufficient amount to meet most of their requirements in the way of commodities. The difference in the East, as contrasted with Europe, is the very much lesser commodity program which the Asian countries have to move into, and the greater availability of foreign exchange which they have through selling raw materials to us.

The thing they need is expert people who can work with them and give them better methods to achieve better production, agriculture, and sanitation, and more instruction in how to operate a government and how to train people to furnish the basic governmental institutions, which will strengthen the country.

Those do not take much money, as compared with the requirements of Western European countries in terms of food and raw materials, and in terms of the basic production equipment to turn out manufactured goods within those European countries.

Chairman RICHARDS. Your time has expired, Mr. Javits.

Mr. Roosevelt.

Mr. ROOSEVELT. I would like to pursue the line Mr. Javits started. I am completely in favor of the immediate necessity for a military emphasis in view of the world situation, and the attempt to regain the military balance. I think, however, that implicit in this program is a technical, or economic assistance program for underdeveloped areas, without a clear or very helpful statement of just what our objectives are.

When we started the Marshall plan we spelled out our objectives, and set a 4-year period in which to accomplish them for Western Europe.

I think we are embarking, and I hope we are embarking, on a program for Southern and Southeastern Asia, and parts of Africa and Latin America, and of course the Middle East. However, I get the feeling we are reluctant to come out and say just what our objectives are, and what our long-range program is. I think it would be very helpful, and certainly from a propaganda point of view, or a convincing point of view, it would be very helpful in maintaining the line in Southern and Southeastern Asia, particularly at this moment, if those people had a feeling that we really have their ultimate economic stability as a basic interest.

Do we not have a program? Has the ECA, for example, done any long-range planning on this line? Have you taken into consideration the possibility of working with, or the United States Government working with an international economic development group or program?

Mr. FOSTER. Yes, Mr. Roosevelt. I think that point is very well taken, and I should have separated out a little bit our European program, perhaps, from these other programs.

Certainly the concept of technical assistance to the underdeveloped areas is one that I did not intend to measure in terms of a 2-, or 3-, or 4-year program, because I think that may well continue for a long time. As I indicated in my statement, it is not in terms of dollars of the magnitude we are talking about in Western Europe, but in terms of time it may be very much longer, and I think I said there is a long-term development program in those areas.

In working with those countries we have utilized the United Nations and its subsidiary agencies, that is, the FAO and WHO, and UNICEF, and other of those activities. That is, we have coordinated with them in working in those countries.

We in ECA do not work with the United Nations. That is a State Department relationship and any of our relations would be in the field where we would make sure we would not duplicate what they were doing, and in most of those southeast Asian countries where we operate we have always made sure those programs go side by side, so that we do not spend our people and our funds on the same things.

I think we have made a great deal of progress.

As to your basic question as to whether we have made known to these people that that is our intent, we do do that. That is one of the basic considerations in dealing with these governments that we have emphasized.

Mr. ROOSEVELT. I think one of the problems is this letting it be known as to just what our program is. The point 4 came to the House in last year's bill at \$45,000,000. It was cut down and finally got through at \$35,000,000. Yet, that is not our total program for that area, and propagandawise it is peanuts.

Now, what I am afraid of is that we are not really getting over our total program. Point 4 is a nice term. The Marshall plan is a nice little catchword, but as for your work which we are doing in southeast Asia, I am afraid we have not got the phrase for it. Perhaps that is the way I can best express my worry.

Mr. FOSTER. I think perhaps we have not got the phrase for it, but I do believe we have gained the confidence of those with whom we are working in the southeast Asian countries where we have STEM missions. They are aware that, while ECA as such cannot make a long-term commitment, the United States has undertaken this job of cooperative endeavor with them.

I think even more important than the catch phrase is the fact that we are on the job doing the job, and I think in terms of what these countries have told us that they are aware of that.

Mr. ROOSEVELT. That is all, Mr. Chairman.

Mr. JUDD. For the record, what do you mean by "STEM missions"?

Mr. FOSTER. Special technical and economic missions, to differentiate them from ECA missions in Europe.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. I have great admiration for you as an administrator and operator. When you outlined your four alternative methods by which we might legislate on ECA, I gathered from some of the negative things you said, rather than some of the positive things, that you have a fairly clear idea in your own mind as to what you personally feel would be the best way for us to proceed. I do not want to put words in your mouth, but I gather you feel that the worst thing we could do would be to say that ECA will continue for a 1-year period and then provide for no successor organization, or anything of that kind from there on out.

Mr. FOSTER. I could subscribe to that. I may have to stop a little later.

Mr. HERTER. All right.

Secondly, you said that the assets that have been built up by the ECA from the point of view of personnel and experience are definitely assets and that we ought not to throw them away from the point of view of any successor organization.

Thirdly, you said that in your own mind, at least, it would be best if we created a successor organization immediately and gave it somewhat different functions from the ECA. Am I correct in that?

Mr. FOSTER. It is not quite that clear, Mr. Herter, but I think that purely as an administrator that is about where I would come out. However, we have to recognize there are many other considerations in this sort of an evolutionary build-up.

As you said—and I appreciate your kind words about being an operator—I am primarily an operator. Therefore, I would like to do it in the simplest and most direct way, and perhaps that is it. However, there are many other considerations.

This system of coordinated relationships is one that you do have to work out through experience, and I think the way we are working it out is a good way and an effective way.

Mr. HERTER. May I interrupt there for just a moment, Mr. Foster?

Mr. FOSTER. Yes.

Mr. HERTER. There have been all of these reports you talked about to the public, none of which agree with each other exactly. The bill was very late coming in and I gather again that there was not complete agreement in the administrative branch of the Government as to what kind of organization should succeed ECA, and when. So that in effect this baby has been tossed into the Congress' lap for it to make the determination.

In making that determination I think all of us ought to be entitled to the best information from the executive branch of the Government from the point of view of detailed implementation of what they think is the best line of procedure.

You indicated in your prepared statement here that there are a number of subsidiary problems connected with any organization that may be set up, or even the continuation of the ECA. You have the question of claimant agencies for foreign governments, including South America. You have the question of allocations of raw materials. You have the question of export controls, all of which are now a responsibility resting in different bureaus in the Government.

You have a good deal of policy making by committee rather than fixing the responsibility in the individual, either department heads

or organization heads. I hope very much, without wanting to press you to do anything specific at the moment, that when we come to a further consideration of the matter you would be willing to give us very frankly your own view as to what in your opinion would be the best organizational procedure from an operational point of view, so as to clarify some of the very serious overlaps which I think now exist, and from the point of view of putting in the field one of the most effective operating organizations you can visualize.

Mr. FOSTER. I should be very happy to, Mr. Herter. You are quite right. There are various opinions and I do not presume to think that mine are necessarily the best.

I would say that there are these other functions which ought to be done some day. Constitutionally I am opposed to a committee operating anything and, therefore, I would lean toward certain functions being put in one agency, with full responsibility, and full consultation and information given to the other interested agencies.

Mr. HERTER. With the responsibility centered?

Mr. FOSTER. The responsibility centered and the authority centered.

Mr. HERTER. That is right.

Mr. FOSTER. I think as a businessman that is the way I like to operate my own business, and I think that from an operating viewpoint purely and simply it is the best way to get it done.

However, as I indicated before, there are many other considerations and, therefore, I do not presume that what I might think in my own viewpoint to be the perfect solution is necessarily that.

Chairman RICHARDS. Mr. Herter has a half a minute.

Right there I would like to ask what is the difference between an operator and an administrator? You say you are an operator more than you are an administrator.

Mr. FOSTER. No. I mean an operator as contrasted perhaps with a policy considerator. I like to get things done.

Chairman RICHARDS. That is clear, I hope. Mr. Bureson.

Mr. BURESON. I am sure we all have an appreciation of the efforts that are being made in the unification of the strength of Western Europe. I think also one of the greatest criticism in this country is that it has not been accomplished more rapidly. I know we are an impatient people and we have to realize there are old jealousies and there are great problems in this matter of unification. At the same time it is a very fundamental question which Mr. Merrow touched on, and to which I believe Mr. Mansfield also made reference.

In the small communities and small towns of this country we have a lot of volunteer fire departments, and everybody chips in. Some fellow who is not cooperating may have his house catch on fire and they have to put it out, because it is likely to burn up the whole town. They cannot just say, "You have not cooperated, so to heck with you. We are going to let your house burn."

In Western Europe it seems to me we have just about that same problem. Somebody is dragging his feet all the time. We know that. They want to wait and see what the other man is doing. Is that not one of the greatest problems we have in this whole picture?

Mr. FOSTER. It is a great problem, but it is complicated by the fact that most of these countries have governments which are coalition governments and which depend on being able to hold a center group together. The taking of the most courageous political decisions is

very apt to result in there being no government. The kind of political decisions which are difficult are those we discussed a little earlier where, if you undertake a more ambitious and more urgent military program, you may have to take it out of the standard of living of the people.

Now, how far can you move in taking it out and still remain a government?

I think governments in Europe are very much like our own. The people in government seem to want to stay in government, and these people who are faced with these daily decisions I think are doing—within the objective, as they see it—a courageous and a good job.

It does look to us many times as if it is not enough, and a good deal of the time we are urging them to do more, but, by and large, I think their resistances and reluctances do get back to the fundamental question that they are democratic governments in the sense that they are freely elected by the people, and they have to make decisions which they believe the people will support, and they are going as fast within that framework as they think they can in order to achieve this volunteer fire department which would be effective.

Yes; we criticize them. Yes; we are of the belief that many of them should do more, but I think most of them certainly are men of good will and are attempting to do it within their judgment as fast as they can.

Now, our position from outside is somewhat that of consulting engineers, who can criticize the methods which the executives of that particular country utilize, and in some cases we are able to convince them that their methods are not right and they should undertake more. It has not gone all the way to the extent of our full recommendations in some cases perhaps, but neither does it in business, when your consulting engineer comes in. The heads of the business frequently say, "Well, you do not quite understand the way our business works and, therefore, that recommendation cannot be used in our company, but we will take part of it."

I think our job is to continue to influence, to urge, to push toward what we believe in our best judgment is the extent and speed with which they should do these things. I think we should continue to press in that way, and I think by that pressing we have moved them more rapidly than they would have otherwise done. It is a good volunteer fire department, I think, in spite of the fact that some of them get to the fires a little late.

MR. BURLERSON. Then the matter of pressing them to greater effort, I assume, has been the practice, and I presume the policy in the future will be that the emphasis on greater effort and greater unification, so that each does his part, would come from within those nations, rather than from us?

MR. FOSTER. I think so, sir; yes.

MR. BURLERSON. That is all.

Chairman RICHARDS. Thank you, Mr. BurlerSON.

MR. REECE.

MR. REECE. Mr. Foster, you have made a very fine statement of principles, just as the other gentlemen who appeared here before you have done, but I am wondering if in the course of the presentation there is going to be a breakdown of the proposed expenditures, so that we not only may know what the objectives are going to be, but how

those objectives are to be attained. When we consider an appropriation bill here in the Congress for one of the Government departments, every item has to be justified, whether it is \$5,000, \$5,000,000, or \$5,000,000,000. As a matter of policy no appropriation is made for any purpose unless there is a justification given to the Congress for that particular item. I am wondering to what extent that can be done in a program such as this. It would seem to be even more important than in case of our own Government.

We are asked, or probably will be asked, to appropriate some few billions of dollars to attain an over-all objective, but the details and the purposes for which this money is to be used is left entirely to the discretion of the administrative branch of the Government. I do not know whether that is a kind of pessimistic attitude, but I would like to know whether there will be a breakdown.

Mr. FOSTER. Yes, sir. There will be. We are perfectly prepared not only to get down to the \$5,000, but to some of the \$1,000 items. My attempt, of course, in this presentation was to set forth the general principles and the general objectives and some of the things which in my opinion were essential in accomplishing our broad United States objectives.

Now, we have the figures and the ways to justify each of the amounts which we have asked for for each of the countries, and each of the areas of the world, and we would be very happy in our later presentation to go into any amount of detail that you would like.

As you well stated, sir, the Appropriations Committees, I can assure you, will get into it in that detail following our presentation to this committee.

I must say, Mr. Chairman, I had a very unfortunate operation on my right arm, my right arm being Mr. Richard Bissell, who is normally up here and who can give to this committee, as most of you know, the details down to \$1. Mr. Bissell, who has sat at my right side in most hearings for the last 3 years, unfortunately had his appendix taken out last night at 6:30, so he will be before your committee I hope a little later; but I do hope the committee will be able to wait till he gets well.

Chairman RICHARDS. Will you express to Mr. Bissell, who is a very fine man, the fact that we give him our sympathy. You also have our sympathy because he cannot be here. You handled yourself pretty well without him.

Mr. VOYTS. Will the gentleman yield?

Mr. REECE. I yield.

Mr. VOYTS. I find the unexpended balance June 30, 1951, is \$1,518,000,000 for economic cooperation in Europe. That, with the amount asked in this bill, \$1,675,000,000, will make for the next year \$3,193,000,000, or \$213,000,000 more than we spent this year, in the year in which we have had such success. I hope you or somebody is going to explain why it is we are spending any such amounts, and why it is they have gotten along so well without that unexpended balance.

That is a lot to answer right now, but that is a question I want answered. I do not think, Mr. Foster, this year you are going to do all the justifying before the Appropriations Committee, because there will have to be considerable justification before this committee

before any such colossal amounts are authorized here. I may be in error, but I think a lot of justification is going to be required right here.

Chairman RICHARDS. We will have to get along now.

Mr. FOSTER. I would like to say that all unexpended balances in the pipelines and the funds requested in this bill will not be spent in the ensuing 12 months because there will be a pipeline next year as well. We are talking about obligations and appropriations, and not expenditures.

Mr. VORYS. But whatever results have been accomplished have been done by what is over there now and not what is in the pipeline.

Mr. FOSTER. We have a pipeline that has run from a billion to a billion and a half each year; so, we should not say we would spend \$3,000,000,000, or whatever your total is.

Mr. VORYS. We will certainly want to go into that.

Mr. FOSTER. Yes. We would be glad to justify that, Mr. Vorys.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. I have asked previous witnesses about the inflation abroad, and it raises certain questions, of course, that are difficult for us to answer. In other words, when we have inflation at home we can legislate and apply administrative devices to correct it, but in countries where the price of tin, for example, has been run up because of bidding by other countries, it is a very difficult problem, I assume.

Mr. FOSTER. It is.

Mr. HAYS. You make reference to the opening up of new supplies of tin and other commodities, and of course the committee would be very interested in that. You mentioned zinc, lead, bauxite, and other items. Let me refer to figures on two commodities, tin and rubber. Tin, for example, went up in the 6 months following the Korean aggression 135 percent; and rubber went up 157 percent. What are we doing, aside from increasing the supply, to hold down this inflationary trend?

Mr. FOSTER. We are doing this: In addition to attempting to open up new sources, which is the ultimate way in which to get prices down, we are attempting through those international materials conferences to have international agreement on both allocation of quantities and of prices.

In addition to that, the United States, as you know, has undertaken the procurement of tin through the RFC and the General Services Administration. In so doing, it has attempted to avoid the terrific pressures on supply which free buying by our own people, as well as by other nations, has brought. The price of tin has dropped substantially from the highest figures, which I think your percentages referred to. It has dropped because we withdrew from the market for the time being until it did have a chance to stabilize, and until we did have a chance to have some of these international meetings.

We have not, of course, eliminated inflation from these strategic materials because there will always be pressure to buy on the part of countries which are not part of the conference, and as long as supply is so much less than demand there will be that tendency.

There are no international price-control activities yet effective. I do not know whether there ever will be, but by directing the buying in an orderly way we have taken some of the pressure off, and by these international meetings we have gotten a better appraisal of what the actual requirements are.

When you know what the actual requirements are, and what the supply is, you can adjust the buying of the nations at least within the NATO organization, as an example, and within the OEEC, as an example, to be in proportion to the available supply. That too reduces the pressure and is an artificial way to eliminate some of that excess of demand over supply.

I think progress has been made, but of course the inflation still will remain until we get a greater supply.

Mr. HAYS. You agree that we are entitled to insist that other nations cooperate not only because of the additional cost it involves for us but also the impact on efforts to stabilize political conditions. In other words, inflated incomes are not equitably distributed among the rubber-producing countries. That is true; is it not? The Communists exploit this condition that makes a few people wealthy and leaves others very poor?

Mr. FOSTER. That is one of the great problems. Certainly, in our equitably sharing our own availabilities, we can expect in return there will be an equitable sharing and fair pricing of these materials which other control.

Mr. HAYS. If I have time for one other question, Mr. Foster, I want to say that I like very much what you have to say about the changes in India, for example, or Asia, which we see resulting from helping people to produce more on the farms, and improving by education and technical assistance their productivity individually.

I would like to ask you for some encouragement, I hope, as to whether we can look forward for a little while to support of that program in those countries? In other words, how long will the resistance to that be postponed? You will ultimately, it seems to me, run into a resistance to it in that we are perpetuating an agrarian economy, and industrialization is the ultimate hope. For the time being, it is obvious in many of those countries that the agrarian effort is the only thing that will provide relief, but can we look forward to proper support in those countries for this point of view?

Mr. FOSTER. I think so, Mr. Hays. Certainly most of those countries are so dependent for the major part of their activity on improved agricultural methods that I would say it would be a long time that we would be assisting in improving in that set-up. I am not sure that in most of those countries the effective way is to go into large-scale industrialization. In fact, I would doubt it very much. I think our efforts can be most effective if we continue to devote much of our aid to the improvement of agricultural productivity and methods, and through such things as the extension services, to which I believe you referred in your discussion with Mr. Harriman, and which we have utilized through the specialists we have taken from the United States Department of Agriculture and also from many of the agricultural schools. We have just sent out to the Philippines the head of the Montana State College, who is an agriculturist. We have several of our mission chiefs in southeastern Asia who have that background. We do it because we believe this is the segment of their economy in which we can be most effective.

Mr. HAYS. Thank you.

Chairman RICHARDS. May I say to the members of the committee we have 20 minutes to get down to the floor and complete our period of questioning here. However, tomorrow we will meet at 10 o'clock.

Can you be here tomorrow, Mr. Foster?

Mr. FOSTER. Yes, sir.

Chairman RICHARDS. We will have a morning session tomorrow and an afternoon session.

Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

Mr. Roosevelt asked a question in which I was most interested. That was, due to the fact that the war potential of Europe is expected to be one and one-half times greater than the Communist countries, I believe, we should spend more on point 4 in the underdeveloped areas in order to permit Europe to achieve that war potential. Without the raw materials from the underdeveloped areas, Europe could not achieve that industrial output. Is that correct?

Mr. FOSTER. That is correct. Nor could we.

Mrs. KELLY. I would like to say at this time that I feel \$7,000,000 is out of line for the underdeveloped areas under those conditions.

I have one other question. You have a departmental status in ECA. Is that correct?

Mr. FOSTER. The Administrator has the rank of—I have forgotten the exact wording, but he has the same rank as a member of the Cabinet. In other words, he reports directly to the President and has the rank equivalent to that of the head of a permanent executive agency.

Chairman RICHARDS. Something like an admiral, in other words.

Mrs. KELLY. During one of our subcommittee meetings we discussed at length having an oversea chairman of all foreign affairs, or an administrator, in line with the recommendation of the Rockefeller report. Would it be possible, do you believe, to have an administrator for all our oversea assistance possessing the status which you have under the State Department?

Mr. FOSTER. If he were under the State Department, he would not have that status. The relationship with the State Department is very clearly defined in the legislation, and in my opinion has been a very effective relationship through which the ECA was able to keep, as far as I know, within basic foreign policy and yet to operate as an independent agency in getting these specific jobs done. It would be my recommendation that that sort of relationship be continued.

Mrs. KELLY. Thank you.

Chairman RICHARDS. The committee stands adjourned until 10 o'clock tomorrow.

(Whereupon, at 12:25 p. m., the committee adjourned until 10 a. m. the following day, Wednesday, July 11, 1951.)

MUTUAL SECURITY PROGRAM

WEDNESDAY, JULY 11, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., the Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we will continue hearings on the Mutual Security Program. Mr. Foster is with us again this morning and will continue his testimony. There is to be unlimited questioning this morning. We plan for Mr. Foster to be here this afternoon in executive session.

Dr. Morgan, have you any questions?

Mr. MORGAN. No questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. The only detailed information I have about the program is a summary which is marked "secret." I just asked the staff if we had any details on the program. They say they have not come up yet.

Chairman RICHARDS. Whom did you ask?

Mr. VORYS. Our staff. I wanted to know if there was a general breakdown on the economic program. I would like to find out what this money is going to be spent for.

Chairman RICHARDS. We are going into that. It may be that Mr. Foster will answer some of your questions, or you may want to wait until this afternoon.

STATEMENT OF HON. WILLIAM C. FOSTER, ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION—Continued

Mr. FOSTER. Mr. Chairman, Mr. Vorys, what is it you have in mind, the amount per country?

Mr. VORYS. The \$1,650,000,000. What is that to be spent for?

Chairman RICHARDS. Is that all?

Mr. VORYS. Yes. That is what I want to find out. It is not a thing that you can go over orally. I can get it better through my eyes than through my ears.

I would like to get that information so we can interrogate the witnesses about some of the details.

Mr. FOSTER. We had planned as to country breakdowns there would be witnesses on each title, Mr. Vorys, who would have complete figures not only as to countries but commodities.

That discussion was going to be taken up under the titles, and to be after the general witnesses. I shall be happy to give you anything in

general terms. But on that sort of detail I am sure you would get more satisfaction from Mr. Porter in detail than from me. All I would do would be to read it from a piece of paper, too. Anything we have of that nature you are certainly entitled to and we want you to have it. I think perhaps you could get it better in detail in those title presentations.

Mr. VORYS. I suppose I will have to wait for that.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. No questions at the present time, Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Good morning, Mr. Foster.

Mr. FOSTER. Good morning, Mrs. Bolton.

Mrs. BOLTON. It is my understanding that some of the European governments have used certain ECA money to improve their budgetary positions. Am I accurate in my thought of it, or inaccurate? Is it an appropriate use of Marshall plan funds?

Mr. FOSTER. First, I think we must separate dollars from counterpart.

Mrs. BOLTON. Definitely.

Mr. FOSTER. The dollars, of course, contribute very substantially in their indirect effect to the budget situation by creating counterpart.

The counterpart, while it is not used specifically to meet budgetary deficits, is used in all instances either to meet expenditures which would otherwise be a part of the budget and would have to be raised by taxation, or have been used in substantial amount, as you know, through the short-term debt in certain countries where that retirement seemed to be the best way of meeting inflationary situations.

So you are quite correct that Marshall plan aid indirectly has been used to improve the budgetary situation of these countries. It has not, however, been ever released simply to meet a budgetary deficit in that sense; it has been released to meet a part of the total expenditures of those countries and, therefore, it has tended to reduce the budgetary effect, if I make myself clear.

Mrs. BOLTON. You say it has been used indirectly, the counterpart. Is that not a direct use of Marshall plan funds?

Mr. FOSTER. What I meant to say was that the dollars themselves have not been used to go into the budget operations through a conversion into the currency of that particular country.

Mrs. BOLTON. Is that not just a play on words?

Mr. FOSTER. No, I do not think so. I think it is part of the fact that the dollars and local currencies are two different animals, and they are not directly interchangeable in the world today.

Chairman RICHARDS. Will the gentlewoman yield?

Mrs. BOLTON. Yes, indeed.

Chairman RICHARDS. I understand that some of these countries have used as much as two-thirds of the counterpart funds for budget purposes. That is going a long way from the intents and purposes of the original act, is it not?

Mr. FOSTER. They have used, Mr. Chairman, up to 100 percent for purposes of contribution to the basic requirements of the country's development program, which is, of course, a part of the country's budget.

I am not trying to be confusing on this.

Mrs. BOLTON. We are talking about a debt.

Mr. FOSTER. Did you say "debt"?

Chairman RICHARDS. I said "budget," but I meant debt.

Mrs. BOLTON. I meant that, too.

Mr. FOSTER. The United Kingdom has used almost the entire amount to retire short-term debt. In Denmark a great proportion of it was used to retire occupation currency.

In both of those cases it seemed in the joint opinion of ECA and the governments of those countries the best way was to use the available counterpart to reduce the inflationary pressures within that country. And the reduction of inflationary pressures was one of the reasons for the Foreign Assistance Act of 1948, as set up and amended.

Mrs. BOLTON. You are in complete accord with the action that has been taken?

Mr. FOSTER. Yes. I must add this, Mrs. Bolton: We have in some cases had originally other ideas as to what might have been a more appropriate use of those funds, but after a long series of negotiations, and this is an area in which you are entering into the deliberations of that particular government, we have been convinced that was the best use.

Mrs. BOLTON. You think that is the best way to handle it?

Mr. FOSTER. I think the reasons have been sound reasons as finally developed. Our original approach was that there would be other uses of those funds that we would have liked to make. After a long series of negotiations we have approved of that use.

Chairman RICHARDS. Mr. Foster, some of the members down at the other end of the table cannot hear you. Will you speak a little louder?

Mr. FOSTER. Yes, sir, Mr. Chairman.

Mrs. BOLTON. This whole question of foreign aid is a matter of great moment to all our people and goes rather seriously with our increasingly high tax program at home, the unbalance of the tax load in the various countries and the ease with which certain high-bracketed people, corporations and so on just do not pay taxes in these countries is a difficult matter to explain.

Are we doing anything about it, can we do something about it, and should we do something about it?

Mr. FOSTER. I think that is a very fair question. I will be happy to tell you what we have been doing.

We have recognized from the beginning that the impact of taxes was not equitable in many of these countries. We have worked on this and have suggested to the governments our opinion on what would be a better tax system.

Improved taxes, of course, always have to be imposed by the parliaments or assemblies of those countries. The governments in many of the countries having the worst tax system have worked with us and proposed to those parliaments improved tax setups.

In many cases they have been passed and have become effective to a greater or less degree. In addition to our working with the governments through our own tax experts, we have lent in some cases, in some of the countries, tax experts through technical assistance to work in those governments with their own tax-collection systems in order to improve the methods.

So we have very actively operated in that field. I will not say we have been 100 percent successful. I think the correction of tax sys-

tems which have endured many times for centuries is a difficult thing to do.

I can only say we have made a great deal of progress. It is true whether the tax systems are the most equitable or not, the tax load in many of these countries is as great or greater than ours.

Mrs. BOLTON. On the few people that are taxed?

Mr. FOSTER. Of course, you are bound to collect taxes in order to meet whatever proportion of the budget they meet. They are not collected always in the most equitable fashion. Some comes from excise taxes.

Mrs. BOLTON. Is it not true in some of the countries that the load is heaviest upon those who can least pay them?

Mr. FOSTER. That is correct.

Mrs. BOLTON. And that gives reason for unrest?

Mr. FOSTER. That is correct.

Mrs. BOLTON. Those who could pay do not do so in proportion to those less able. That raises a psychological factor. It seems to me it is about time they recognize it.

Mr. FOSTER. I think they do recognize it. It is something that one does not correct overnight. I agree with you that the taxes in some of those countries are very unfair in that the people who can best afford to pay them are best equipped to evade them.

Mrs. BOLTON. That makes it very difficult for us to go back to our constituents with any sort of an adequate foreign-aid program.

They say, "Why should we be taxed for this when the people over there do not pay?" That is our problem, Mr. Foster, as you know, I am sure.

Mr. FOSTER. I recognize that. I would like to emphasize the fact that while the tax load, in our opinion, may not be equitable it is severe. It comes from perhaps the people we think it should not come from.

The point I would like to make perfectly clear is that most of these countries are paying high taxes.

Mrs. BOLTON. I would like to defer the discussion of specific countries for the moment. Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. No questions at this time.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Is it not true, Mr. Foster, that by and large the great bulk of the collection of the taxes that are collected are collected from the low-income groups, perhaps not directly but indirectly?

Mr. FOSTER. I think that is true, sir. Of course, I must qualify the statement by saying this varies very considerably as between countries. I am talking in the most general of terms. In some of the countries that is very much so.

The tax systems, in our opinion, are very burdensome on the people who are the least able from our point of view to pay it.

Mr. SMITH. I would like to go back for just a moment and refer to the statement made with reference to use of the counterpart funds to retire debt of these countries.

As I recall the law that would be contrary to any intention on the part of Congress that those counterpart funds be used for that purpose.

I may be wrong about that. That is my impression. If that is going to obtain in one country, or another country, then it will obtain all the way along the line before we get through, as I see it.

Mr. FOSTER. No. 1, I do not think it is contrary to the law or the intention of the law. I think it was one of the ways in which these funds could be used.

I would again like to emphasize, in our opinion, that was not necessarily the first choice of the ways to do it. It has only been used in that way in a very few of the countries. In most of the other countries it has been used in productive works of one sort or another to improve the basic economy of those countries, which also was allowed and specified in the law. I doubt very much that it is contrary to the law.

Mr. VORYS. Will the gentleman yield?

Mr. SMITH. Yes.

Mr. VORYS. In the original Marshall plan, and even prior to that in the post-UNRRA relief act, we got into this balance of payments, dollar-shortage business. We found out that, for instance, in the post-UNRRA bill, one of the items that was to be taken care of was a gold debt, owed by a country on relief to Belgium.

We found out that a country had a certain fiscal and financial structure, and it did not make a great deal of difference, if they were running on an unbalanced budget, whether you took care of their debt service directly or took care of relief or some other expense so that they took care of the debt service.

Is there still an unbalance of payments or dollar shortage so that condition still obtains?

Mr. FOSTER. Yes, sir, there is. The basic method through which we arrive at the amounts of economic assistance which we believe are necessary to do the jobs, the basic method, is figuring the balance of payments deficits.

Of course, we are dealing in all of these activities with a portion of total resources. If you happen to use counterpart for this part of the total expenditure of a country, it is easier to see what you are using it for, but it has no effect, really, on the necessity of meeting the whole range of the expenditures.

In other words, if you say this should be directed toward land reform or low-cost housing, that is a very praiseworthy objective and one we want to see done.

We, through our control of the counterpart, were able to see that it was being used effectively, if it went into that slot.

In addition to those expenses, that government has to meet the whole range of government expenditures. Our meeting only a portion of it does not change the need of the whole amount. In other words, you could take this part of the spectrum or that part.

What it does is close the gap between the total of that counterpart and the total required.

Mr. VORYS. If the gentleman would yield further, is not the same thing true with all expenditures, not only the counterpart? That is, if a country needs some food that has to be obtained in dollar areas, or some steel, or other materials, and it needs them and has to have them, it could borrow the dollars and ultimately repay them through its own currency, or if it got the dollars without payment, that is to that extent relief of that country's budget?

Mr. FOSTER. It is quite true that the aid which we give may also be only a portion of the total dollars needed. For the other portion, which we do not supply, they have a certain amount of dollars avail-

able, either through the ability to borrow to which you referred, or the ability to earn it through their own exports.

They may require, however, more dollars than that in order to get the necessary things either to recover, as in the past in your activities, or maintain economic strength and take on this new military load.

If they are unable either to borrow or earn enough, then it is necessary for us to help them to the extent of that gap, that balance-of-payments gap.

We direct the use of ECA dollars, however, in order to control it better, and to see more easily what is going on, through authorizing use for specific kinds of commodities.

The part I would like to question in your statement, however, is that they could borrow the dollars and then replace them with local currency. That is the part they cannot do today. Therefore, you must measure their ability to borrow by their ability ultimately to earn sufficient dollars in order to repay it. The only place they can earn dollars is through invisibles or through exports to the dollar areas. Therefore, for the last 3 years, as you know, they have been expending a great deal of effort and time in building up their ability to export more goods to the dollar areas, so they could meet those dollar requirements and be free of the necessity of aid from us.

It is that basic difficulty that we see in pressing them to undertake a greater military load. If the load they take is so great that it interferes with their ability to earn dollars, they may well go back to the point where they need more dollars from somebody to meet the normal needs of food, equipment, and raw materials.

Mr. SMITH. This matter of inflation, of course, is a very serious thing in all of Europe, is it not?

Mr. FOSTER. Yes, Mr. Smith.

Mr. SMITH. Have you seen any evidence on the part of those countries where it is bad for them to take any action to control this inflation?

Mr. FOSTER. Yes, indeed.

Mr. SMITH. What are they doing?

Mr. FOSTER. Almost all of the countries are taking action in the way of controls, additional credit controls, controls on the use of materials, controls necessary, of course, in the balancing of their budgetary requirements.

I think every finance minister in Europe is conscious of this grave danger, and is taking what steps he can to get through his legislature some measure to meet this inflationary threat.

In some cases, as I indicated a moment ago, they had felt, in the past, that the way to do that was to retire some of this short-term debt. They are taking many different measures, in other words.

We may not agree they are taking all the measures which they should, but they are taking some measures. Again, it is our job, as we see it, to encourage them to take sufficient measures to meet this new inflationary threat.

Part of the threat comes about through their inability to get the materials, consumer goods, and raw materials, from the world markets to produce enough to have enough goods to sop up some of the inflation.

Mr. SMITH. It appears to me that in view of the rearmament program a nation like France is going to be up against a buzz saw.

I was amazed on our recent trip over there to find that we were getting 349 francs to the dollar. I go back to 1917-18 and remember that we were getting 4½ to the dollar. There is just a terrific spread. Prices are not cheap. Even using our American money we were paying a good stiff price for just an ordinary meal. Neckties that you could buy here for \$2 we were paying \$3.50 and \$4 for.

I am alluding back to what I said yesterday about this matter of inflation, and its effect upon the standard of living and how we are going to beat communism in view of those conditions. It is something that startles me. I know that you perhaps do not have an answer to that.

Mr. FOSTER. I would like to make one comment. I recognize that. But 349 francs means that it is in francs that are stable, and the man who earns his francs today knows that it is a stable currency.

I think perhaps you should not go back to 1918 because the world has changed since then, and perhaps our dollar is not as good as then.

Mr. SMITH. Perhaps.

Mr. FOSTER. I would rather go back to 1948 when we started on this program, when the black market got up to 675 to the dollar, and even then we were not quite sure whether the franc was good, bad or indifferent.

While 349 may be high compared to prewar rates it is a definite improvement over the conditions when the Marshall plan started.

Mr. SMITH. That is all at the present time, Mr. Chairman.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. Is there any future, Mr. Foster, to the guaranty of private investment?

Mr. FOSTER. Yes, Mr. Ribicoff, there is a future.

Mr. RIBICOFF. The reason I say "the future" is that there sure has not been much of a past.

Mr. FOSTER. I know your extreme interest and concern with this subject. The guaranty of convertibility, which was the first of these activities to stimulate private investment, was utilized by ECA to the extent of some thirty-odd million dollars, and did result in encouraging the investment of certain amounts of private capital.

Most of it was early in the period of the Marshall plan, when the convertibility of currencies was not in the state to which I just referred in speaking to Mr. Smith.

The further guaranty, in which you also had a very keen and constructive interest, was the guaranty against expropriation, which has just begun to get into operation.

It was a very complex subject, one that we spent a good deal of time on. We appointed a very distinguished committee of private citizens to advise with us on how it might be applied, what the terms should be.

That committee, in spite of its interest and competency in the field, took several months to make a final recommendation to us on how to operate under the guaranty.

We are operating under it. We have made one such guaranty to date. I think there are eight more applications which we are currently considering. But the basic point is that with opportunities to make substantial profits in the United States, with its stable economy, and with the conditions of some instability in these other countries the inducement is not provided to the satisfaction of private invest-

ment, by insuring convertibility or by avoiding the chance of expropriation.

When private companies make money in these countries it is still subject to the high taxes of the United States, and the additional risk in these less stable communities. I believe that in the opinion of many of these enterprises, the whole problem is not met by these types of guaranties.

I think the basic ways in which we will encourage additional amounts of private investment are through improving the fundamental economic conditions and political conditions in these countries. That is what our whole program is directed to, and in that I think we are making considerable progress. Until you have the condition of being able to make greatly increased profits over what you could make in a more stable economy such as ours, the pressure on private funds to pick up that load is not particularly great.

I doubt that convertibility guaranties or perhaps even expropriation guaranties will accelerate the flow of funds to the degree that you and I would like to see.

Mr. RIBICOFF. In your statement you mentioned the development in Africa of certain basic materials. Is that purely government, or is it government and foreign private companies?

Mr. FOSTER. It is both. We have development contracts with grants to private companies. We have made development grants to governments.

Mr. ROOSEVELT. Is that South Africa?

Mr. FOSTER. In the Dependent Overseas Territories of the Metropolitan European Countries, and also in Southeast Asia.

Mr. RIBICOFF. Has there been any tie-up between private American companies with foreign private companies who might be willing under the guaranty provisions to come in under some copartnership arrangement as a substitute for Government dollars? Have you come across that at all in your efforts?

Mr. FOSTER. Many of the companies, of course, that we give these development contracts to are either American companies or subsidiaries of American companies. There have been few instances that I know of where we would act as a sort of sponsor of a private company for private company development. I think that is what you meant by that question.

In those cases, generally speaking, they would prefer to keep the United States out of it, if they are able to raise the financing themselves.

Mr. RIBICOFF. I think it has been the desire and thought of many of us around the table that this was a way to encourage private funds to take the burden off the taxpayer.

The past performance has certainly been discouraging. Do you think it is worth while to go into this further or do you think it is something that is going to die a-borning?

Mr. FOSTER. I can tell you this, Mr. Ribicoff. We were all very enthusiastic about the possibilities of this in the early days of the Marshall plan, particularly the lack of private investment due to the difficulties of convertibility.

We spent a great deal of thought, time, and energy attempting to develop these guaranties for the purpose of encouragement in the flow of private investment.

I must say in all frankness that out of that expenditure of time, thought, and energy we did not produce very much. My analysis of it is about what I said earlier, that you must first get the improved basic conditions. That of itself would lower the barriers to private capital through the need for higher profits commensurate with the greater risk. The risk is not primarily today, at least in Europe, that of convertibility.

Mr. VORYS. Will the gentleman yield?

Mr. RIBICOFF. Gladly.

Mr. VORYS. There is so much secrecy around here, but is there anything secret about the pilot operation? I think it was in Germany.

Mr. FOSTER. You mean, the expropriation? No, that is guaranteed to the Otis Elevator Co. in Berlin. I think the very condition of Berlin is a good example of why that expropriation guaranty would be an encouragement to private industry.

Berlin being isolated and subject to being cut off, the Otis Elevator Co. felt that was a good business risk today to take, if they could be guaranteed against the take-over of the plant at a cost of 1 percent a year.

Mr. VORYS. I wanted to bring that out. That is obviously what you had in mind.

Mr. RIBICOFF. Is it safe to say that the private American entrepreneur is no longer interested in investments and developments in far distant lands, that the guaranty program does give him safety and security, yet there is the unwillingness to go out in unknown territories. If point 4 is ever going to work, as originally conceived, it would be the guaranty that would spark this type of investment or development.

Mr. FOSTER. I agree thoroughly, that this is a part of the background which when more stable conditions have been developed will create the thing that we had hoped for in point 4, namely, the great increase in the investment of private capital to carry on the development of those countries in a long-term, public-spirited, method.

Today, unfortunately, in many of the countries in which that would be useful, other conditions than expropriation and convertibility are the things they are fearful of.

They are fearful of the rather unstable governments that change overnight; they are fearful of the tax laws that perhaps in a foreign country would bear unduly in addition to our own taxes, because there is no exemption except a nominal one for the foreign taxes paid.

I think, in other words, the thing that we are trying to do fundamentally in the world is the thing that will over a period, and I hope the period is not too long, create conditions in these underdeveloped countries, particularly, that will attract American private enterprise and will allow us to reduce the Government load in building up the countries. But I am afraid that convertibility and expropriation guaranties are not sufficient in themselves so to do.

Mr. ROOSEVELT. You talk about the lack of stability. I gather you refer primarily to the lack of economic stability and political stability—

Mr. FOSTER. And military stability.

Mr. ROOSEVELT. Is not there basically a third risk? I have talked to a lot of private capital that normally used to go abroad prior to World War I and World War II. It boils down to one thing—the

question of war risk. They do not want to be bothered with something that is going to be blown up tomorrow if we get into another one.

Mr. FOSTER. I think that is a good deal of it.

Mr. ROOSEVELT. That hinges on the military-aid program, to restore sufficient military equilibrium, which, in turn, we hope will bring about a modus vivendi between the two ideologies.

Mr. FOSTER. I could not agree with you more. That is the necessity of building the military strength around the world, so we do not have to fear an attack overnight, which does discourage private enterprise.

Mr. ROOSEVELT. This is a little bit outside the ECA field. I asked about South Africa. As I remember it, the World Bank made a loan to the South African Government for railroad and communication, gold mine and diamond-mine developments, to the tune of about \$500 million, I believe, in which six private American banks participated; is that not roughly correct?

Mr. FOSTER. Mr. Roosevelt, I think you have fallen into the trap that Government officials fall into. I think you misplaced the decimal point. I do not think it was \$500 million. I have forgotten the amount.

There was a loan used for those basic facilities, which is necessary in order to make any development effective. In other words, we have done some of the same sort of development expenditure.

We have financed port improvements at Beira in Mozambique. We have financed some railroads through Rhodesia, so if you develop the mines there you will have a way of getting the ore out in order that it may be shipped to the point of use.

Mr. ROOSEVELT. The important thing was that some private American banking companies did go in with the World Bank on an "even-Steven" basis there.

Mr. FOSTER. That is correct.

Mr. ROOSEVELT. I think that is the most significant trend, as far as American capital going abroad. But there in South Africa you have the relatively stable conditions which you were referring to earlier.

Mr. FOSTER. That is correct, sir.

Mr. RIBICOFF. If you are going to develop the economies in these backward nations—if private industry is unwilling to go in for the mutual development of the backward countries then must it not have to be on a government-to-government basis?

Mr. FOSTER. There are agricultural resources which, of course, are susceptible of development by private companies. Sugar and pineapple are certainly susceptible of development by private companies.

You have your whole range of mineral activities. You have some manufacturing activities which in these countries are useful. There are one or two very small ones in the handicraft field in some of the Southeast Asia places where private industry and private American brains have gone in without the benefit of any government support.

Of course, the petroleum industry is very active around the world. They have been since the war, as you know, the largest single source of private investment in the underdeveloped countries.

Mr. RIBICOFF. I just want to make a comment. In my opinion, the ECA personnel is an outstanding group of men. The country will suffer a great loss if this organization and its personnel were allowed

to disintegrate. I am hoping out of these hearings will come some type of economic organization that will preserve your organization intact, sir.

Mr. FOSTER. I certainly want to thank you on behalf of the organization. I share your views as to the rest of the organization.

Chairman RICHARDS. Will the gentleman yield right there?

Mr. RUBINOFF. Yes, sir.

Chairman RICHARDS. Mr. Foster, I wanted to make this observation in regard to guaranties. This whole program avowedly builds up competition for American industry; there is no question about that, is there, in the long run?

We figure it is better for us and them to have that?

Mr. FOSTER. I think that is right.

Chairman RICHARDS. If they can compete with American industry, why should there not be some guaranty to build up American industry so that it will be in a better position to compete over there? That is one phase of the guaranty proposal, I think.

After this thing is over we are going right back to the historic competition, and there will be the restrictive tariffs. I think the American business interests should get something out of this thing in the long run, as well as the Europeans.

Mr. FOSTER. I could not agree with you more. I think American business is getting a good deal out of this. They are getting a good deal in terms of better markets, in terms of the opportunity of expanding, it seems to me. I think the needs of these countries as we develop them are so great that the markets we will have will be greater than anything we have had in the past.

Our whole philosophy in the United States is that of an expanding economy and not a static economy to produce more, and not divide up what you have.

Chairman RICHARDS. I am talking about the day when these nations, or individual nations, can stand alone economically and say, "We do not need any more of your help. We are going to protect our industry over here. We can get along."

We will be confronted with that situation. We are paying for this program. Dividends will come back to us and to them in the long run. A great many businessmen in free enterprise have been the strongest proponents of this program, because they feel it is stabilizing the world, and in the long run we will be stabilizing our own economy. That is the theory, is it not?

Mr. FOSTER. That is right. I think you have put your finger on one thing that should be taken into consideration in the United States on behalf of its industries, that there should not be discrimination against our industry as these countries become strong.

We believe, I think as a competitive economy, that in that sort of set-up, without discrimination, we could hold our own.

Chairman RICHARDS. You have a whip, and that whip is American dollars. You can get people to do a lot of things when you deal in our dollars because they need dollars. We are trying to get them to the point where they will not need dollars, where there will be a trade balance, I am talking about the future. It is visionary.

Mr. FOSTER. No; it is not visionary. We must not, in building up the things we are trying to build, destroy the opportunities for our own country and its people.

In my opinion, I do not think we are. I think we have to be alert to the fact that we must have the freest possible multi-lateral trade. In that context I believe we can hold our own.

Mrs. BOLTON. May I interrupt?

Chairman RICHARDS. Go ahead, Mrs. Bolton.

Mrs. BOLTON. You feel it has been a temporary situation that has really cramped some of our industries considerably in the matter of prices, and so forth and so on; also, the matter of markets abroad?

Mr. FOSTER. Certainly there has had to be a temporary restriction on imports of dollar goods, for the reason that these countries did not earn through their own efforts sufficient dollars to let their own people buy all they wanted.

That is a condition that has been reduced to some extent, and the restrictions against dollar goods have been cut down. When the time comes that they have rebuilt their economies, then I would hope those restrictions would be completely eliminated. And our efforts all the way through, and the continuing efforts of the State Department, of course, are to work toward the straightening out of those restrictions.

Mrs. BOLTON. It has been exceedingly hard on some of our industries.

Mr. JAVITS. Will you yield on that point?

Mr. RUBINOFF. I will be glad to.

Mr. JAVITS. In the muddled state of our leadership we are in the great way of abolishing the very opportunities that you speak of that are being gained with the American dollars.

The State Department has dropped, as I understand it, the International Trade Organization Treaty. There has been considerable impairment on the reciprocal trade agreements program. In these receptacles we were going to fit these agreements not to discriminate against American industry and to open world trade. If we are going to vote money on the one side to earn these agreements with dollars and then kick out the very programs within which these agreements can be made, then where are we?

Mr. FOSTER. Mr. Javits, I said in response to Mrs. Bolton's question that I thought temporarily many of these restrictions had to be imposed.

I spoke in terms of the future for a long-term objective. I think the practical limitations on available dollars are such today that it is necessary to yield temporarily on some of those discriminations.

Certainly I am sure the State Department has not put aside the long-term policy and philosophy. They can speak more eloquently on that than I can. But under the conditions and the necessity of conserving dollars for these more urgent purposes, it is essential that many of these countries, for the time being, impose conditions which we consider restrictive and not in our long-term interest, or theirs.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. Mr. Foster, you stated yesterday that steel production in France could be increased about 20 percent with a little capital investment. Why is there not an effort made to develop that increase? What can we do to bring about such an increase?

Mr. FOSTER. To answer the second part of your question first, I think things can be done to bring about the increase.

It is proposed under our new activities that we do. We have been instrumental in modernizing the French steel industry through the acquisition of modern American equipment.

The point that I was making in using that 20-percent figure is that we do not yet feel that the French managers and technicians have so far learned well enough how to utilize that modern equipment. We are working to so improve their operations, and are sending American technicians to France for that purpose, and have brought some of the French technicians to our country to watch our own steel mills operate with the same type of equipment.

I think that is not only true of the French steel mills, which I used as an example, but I am sure it is true of much of the production in Western Europe. Some of it has been because they did not have sufficient horsepower behind each worker to handle the materials.

One of the great skills that the United States has in handling materials within a production plant is to make sure that it does not require too much human energy, and can be handled insofar as possible mechanically.

We are attempting to make that type of skill available to these people. This is an activity in which we have spent some thought and effort, but we do not feel enough.

My point was that we plan to spend a good deal more on that sort of thing to get that additional production.

Mr. MERROW. Would you venture a prediction as to how much longer after 1952 we will have to continue economic aid?

Mr. FOSTER. That would be a very difficult guess to make. I do not think it would have very much validity. The countries we spoke of yesterday which even without the Korean additional load would have required economic assistance, in our opinion, are made up of such countries as Greece and Austria. They are two very good examples. Austria is faced with the possibility of getting an arrangement under which it can get a unified economy and proceed to develop itself to be self-supporting.

At the moment, as you know, much of the resources of Austria are funneled out at the eastern end of Austria due to the fact that the Soviet Union occupies a zone in which great petroleum availabilities occur.

I do not know how long Austria will require us to feed in at the west end sufficient to make them viable. It might be 1 year if we got a treaty. It might be 10 years.

Greece is another example of a country which due to the fact that it has either been at war or occupied over the course of the last 10 or 12 years is very poverty stricken and has little opportunity in the way of natural resources to make itself self-supporting. I would think we might face in Greece the necessity of economic assistance for a long period.

Iceland is a single-industry country which also has some difficulties. They have lost some of their markets of their greatest single product, fish.

Apparently there are not enough people who like to eat the kind of fish that Iceland has to make it self-supporting, so the necessity of building up other industries to pick up that load may be a long one.

Those are in terms of purely economic recovery-continued assistance.

In terms of the need of economic assistance brought on by the additional military load, I do not know. The whole plan of this present program which has been presented to you is that the United States Government in the first few years would give massive amounts

of end-item aid, and some economic assistance, the purpose of the economic assistance being to build up facilities which can provide sufficient available sources so that they can maintain those end items after a period of 2 or 3 years.

If we can do that in a way that does not destroy their ability to earn money through export of goods which they are now shipping to the Western Hemisphere, they should be able to pay for the maintenance of that equipment and to pay for the replacement of it within, I do not know, three to five years. I think that is a difficult projection. I am sorry I cannot be more specific in my response, but it is a very complex problem.

Mr. MERROW. Would it be fair to say that the amount of aid and the time for which it must be continued will depend to a great extent on the degree of economic integration on the Continent, and by economic integration I mean also the integration of Western Germany with the rest of the Continent?

Mr. FOSTER. I think that is a fair statement. I think that is one of the fundamental facts of the whole Western European set-up. Europe has been made up of a series of small economic and political entities. We have in the course of the last 3 years, as I said yesterday, been able to break down many of the barriers to the free movement of goods, services, and people, but not enough of them.

I think that one of our basic objectives all the way through has been the greatest possible extent of such integration in order to develop a single market which would lead to the production on a more efficient basis of the goods which are produced over there and which would thereby lower the costs and make available at a cheaper price goods produced within Europe.

I think certainly the market is there in the form of 275,000,000 free peoples who want all the things that we want. The amount of economic integration can well be the deciding factor in whether they do move to this condition of self-support and freedom from the need of extraordinary outside aid from us.

Mr. MERROW. I thought from what you said yesterday that you favored the spelling out of the various steps by which this economic integration is going to take place and you would perhaps put them into the legislation as things to be desired, but would not attach them as conditions to the continuation of the aid. Is that correct?

Mr. FOSTER. Yes, sir.

Mr. MERROW. You would be very careful to spell out the manner in which we feel these countries should operate to bring this about?

Mr. FOSTER. I would like to make one qualification. I said I thought it very desirable to establish objectives. I do not think I would quite go as far as you did in saying I would specify it in detail, if I understood what you said, because when we become too precise in the exact objectives we may be laying down objectives that due to conditions there are impossible of achievement.

I do think the broad objective such as the accelerated trend toward integration is a very good one to have, and that could well be incorporated in the legislation. How that should be done in detail and what we mean exactly by that in detail, I would be a little hesitant to approach. I am not sure we are smart enough to lay out exactly the methods through which it would be achieved in Europe.

Mr. MERROW. It seems to me considerable thinking should be done along those lines, because after the money is spent there will not be means of pressure. Is that correct?

Mr. FOSTER. There may not be the same pressure. Of course, we believe this is in their interest and there should be a pressure from within to get it done. Unless it is something that is in their interest, it won't be done anyway.

Mr. MERROW. Some seem to think—even the Europeans—that perhaps we have not been positive enough and perhaps not insistent enough in making certain demands.

Mr. FOSTER. I think that is probably true, too, and you do again, as between countries, have differing philosophies toward this. I spoke yesterday of General Eisenhower's speech on July 4, which I think was a magnificent expression of the need of unity within Europe. I think that "Ike" in his person and through his having taken on this activity is a great spur toward integration—one of the greatest contributions we have been able to make in the United States toward that end. But even in "Ike's" speech I think you will find it is in terms of the general objectives.

The countries individually, some of them, want to move toward it very rapidly, and some of them have reservations as do the British, for good and sufficient reasons, perhaps, from their viewpoint.

Mr. MERROW. Would you care to comment on what progress has been made by way of coordinating the defense production programs up to date in Western Europe, or the NATO countries?

Mr. FOSTER. I can talk in general terms from the viewpoint of production as such. From the viewpoint of the military aspects of it, General Bradley or General Scott can give you very much better information than I. Fundamentally we have approached the problem on the basis of it being a variation of the problem we had been faced within ECA for 3 years. Our objective for 3 years has been to build up the whole range of production in Western Europe.

Now, in this new context we are faced with the urgent necessity of increasing particularly the heavy-goods industries and the more directly military-contributing industries. To do that, of course, we have continued through ECA to work through our industry divisions with the governments and with the industries of those countries where we have missions.

In addition to the United States as a single focal point devoting itself to this, there was established under the NATO organization a Defense Production Board, which is an international body made up of usually the Minister of Supply of each of these countries, and sitting as a board of 12 men representing the 12 NATO countries.

We have on that the United States representative, who is William Batt, who also happens to be the chief of our mission to the United Kingdom. The coordinator of that group is also an American, Mr. Rod Herod, who is an international executive who attempts to bring the consideration of these production problems together and accelerates the movement toward a strong production activity.

Of course, they work within the plans established by the military groups. Through that mechanism they are identifying production problems; they are bringing to bear technical assistance to resolve some of them; they are bringing together in one point the possibility of assigning or subcontracting certain types of production to the

countries best fitted to do it; and, by and large, the movement, while it has not yet moved anywhere near as fast as we had hoped for, is making substantial progress.

I talked to some of the members of that Board when I was in France and London just 2 weeks ago, as I think some of the members of this committee did. I am not sure whether you did or not.

Mr. MERROW. Yes; we did.

Mr. FOSTER. But I think out of that is coming an integrated look at this production problem, and with that integrated look a genuine, over-all movement toward the more adequate production in time for what we need.

Mr. MERROW. Progress does not seem to be as great in many of these fields as we hoped. Are we hoping for too much?

Mr. FOSTER. I think we are a very hopeful Nation, Mr. Merrow, and I think our targets and sights are perhaps a little high. We, as a production nation, are able, as you know, to turn things on so well that we have set our sights perhaps higher than some of these other countries, which have been more limited in mass production, can yet achieve. However, I think they are making good progress toward it.

Mr. REECE. Mr. Merrow, would you mind yielding?

Mr. MERROW. I yield.

Mr. REECE. I wonder if you would mind giving us a little of Mr. Herod's background. He seems to be a rather important young man there. I am not familiar with it.

Mr. FOSTER. Mr. Herod, Mr. Reece, was president of the International General Electric Co., and he had spent over the last many years a great deal of time in Europe, working with not only the foreign affiliates of the General Electric Co.—with their own companies abroad and, of course, with their suppliers abroad—so he had a very detailed knowledge of Western European production possibilities. I believe the United States was very fortunate when this international body did choose a coordinator that we had as qualified an American to work with them as Mr. Herod is.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. Thank you, Mr. Chairman.

Mr. Foster, I have always thought of ECA as being a temporary organization, and much is being said about the termination of its activities, or of this program, at some time or other, although no one can determine just when. However, on pages 7 and 8 of your prepared statement—and I use this as an example—you make reference to southeast Asia to continue the objectives there with funds to be made available under this bill, which suggests to me a permanency of activity in that area.

As I understand it, the objectives there are to improve essential services—that is, health, transportation, communication, technical training, and so forth—as well as to promote economic rehabilitation and the development of agricultural industry and production, fisheries, and so forth. Under Public Laws 535 and 472, the ECA law of 1950, known as the China-Aid Act of 1950, the ECA was authorized to use funds from the China-Aid Act of 1948 for those areas determined by the President—that is, areas in China determined by the President—to be not under Communist domination, or some such language. That has been construed to mean Thailand, Burma, Indochina, Indonesia, and the Philippines—practically all of southeast Asia.

Now, as I understand it, you intend to continue the ECA program in that area, and yet we have something called point 4, which is a very ambitious program. I do not know what the breakdown of funds may be for point 4 in this bill, but do we intend to have two agencies operating in southeast Asia, indefinitely with the same objectives? As I understand it, point 4 is a permanent program. Now, would you comment on that, please, sir?

Mr. FOSTER. I will be happy to, and that is a very important question to bring up, because there is a good deal of confusion on the subject.

Point 4, as you indicated, is considered to be a permanent and long-term and lasting activity, which I believe is a very useful thing for the United States to pursue.

Last year it was determined that with the funds from the China-Aid Act, to which you referred, it would be useful, due to the experience ECA had not only in Europe but which up to that point we had had in China and Formosa—it would be useful perhaps to extend that type of operation to the other countries which you mentioned. In order to make clear that this was not ECA in that sense, those missions were called STEM missions, but were operated by the ECA, and the chiefs of those missions are responsible to the ECA Administrator.

It was thought then that perhaps these could be somewhat more temporary activities.

Another place, of course, where we had the operation was in Korea. It was thought that these could be somewhat more temporary in the terms of the ECA administration of them, but at least it seemed in the interests of the United States Government to take advantage of the then ECA organization to run these new programs.

There was confusion as to where point 4 began and where STEM ended. There have been a series of pieces of paper between the agencies and discussions as to how to avoid duplication. In the hearings before this committee last year, I think, we read an agreement as between the point 4 organization and our own organization, which indicated our intent to avoid duplication. The arrangement is that where we have an ECA mission, either in southeast Asia, or, for instance, in the oversea territories, and there are point 4 types of activities to be undertaken, that ECA will operate those particular functions so that there will not be two United States Government agencies in the same country.

We may be carrying out the technical-assistance type of activities which point 4 does in the countries where we have no missions, but there is no duplication in those countries because we carry out the technical-assistance functions in terms of agricultural-extension work, in terms of agricultural-improvement work, in terms of health and sanitation activities. The basic way that we now eliminate duplication is that there is one agency in a country, and if we are in it or if we are in that country with an ECA operation then the point 4 agency does not operate there. Of course, we would consult and advise with them, but they would not operate there.

Mr. BURLESON. Then that would mean ECA may be in Burma and point 4 in Thailand?

Mr. FOSTER. No. We are in Burma and in Thailand.

Mr. BURLESON. I am supposing that.

Mr. FOSTER. Oh, it could be.

Mr. BURLESON. They could be side by side?

Mr. FOSTER. That is correct.

Mr. BURLESON. The advantages then toward accomplishments from the competitive angle—and we have all seen competition between Government departments—would be the one who had the most money to spend?

Mr. FOSTER. I am not sure I would like to put it in those terms. I think a certain amount of competition is healthy. There should not be competition for personnel in the sense of our drawing on the same pools, and there is not. There is close coordination between ECA and TCA, and I do not think there is competition in the sense that you fear. We undertake in general broader programs than the TCA programs in that we would enter into the general economic programs of the countries, but the related activities of the technical assistance which I have just referred to fit in without competition in my opinion.

Mr. BURLESON. But the objectives of the ECA program in these countries, on which has been spent \$157,000,000 of the \$164,687,000 available for these areas, are not temporary are they?

Mr. FOSTER. No; they are not. We would probably put more emphasis on some of the short-term objectives than could TCA through its program. I am not quite clear as to that breakdown you have. That indicates what area? Is that southeast Asia and south Asia?

Mr. BURLESON. It comes from those funds made available to the President to use in these areas. As I understand it, you have used the 1948 ECA funds by the action of the 1950 law.

Mr. FOSTER. Oh, you are referring to the past funds. We had left over from the China-aid funds for use in that way. As I recall the figures, last year it was about \$89,000,000.

Mr. BURLESON. \$89,000,000 was that which was carried over?

Mr. FOSTER. Mr. Cooley reminds me we did come in in December and ask for the right to transfer 3 percent from the European funds, which brings it up to the total you talk about.

Mr. BURLESON. That amounted to approximately \$75,000,000.

Mr. FOSTER. That is right—a total of \$164,000,000.

Mr. BURLESON. The thing I am getting at is, if ECA is a temporary program how can these most ambitious objectives likewise be considered of a temporary nature? As I said, I do not know what the breakdown is in the bill, or what is to be used in that area. Neither do I know how much the point 4 program calls for, but I know at present it has little money. I just mentioned this figure here as a comparative figure to the sum appropriated for the point 4 program.

Now, without any reflection of an unfavorable nature on ECA, how can an organization, operating on a supposedly temporary basis, deal with these long-range purposes? Could not a permanent organization do a better job? The emphasis of ECA as I have always viewed it, was in Western Europe. However, now here is ECA going around the world in a great program, and yet the organization, as I think of it, is a temporary one.

Mr. VORYS. Will the gentleman yield?

Mr. BURLESON. Yes.

Mr. VORYS. As to what ECA thinks of itself, you can find it on the shield they are using now. They changed it at the beginning of this year. I first noticed it up at their birthday party. It was a great, big,

United States shield which said on it, "Strength for the Free World from the United States of America." In a short form, that is what their formal purpose is, as put on their shield and on their letterheads. Is that not correct, Mr. Foster?

Mr. FOSTER. That is correct, sir.

Mr. RIBICOFF. Will the gentleman yield?

Mr. BURLESON. I yield.

Mr. RIBICOFF. That is a pretty good slogan.

Mr. VORYS. Well, as to how much territory they are taking in, it is the whole world, according to their own insignia.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. BURLESON. I yield.

Mr. ROOSEVELT. Is not the area they are taking in all in accordance with the acts of Congress? It is not as though they had suddenly plunged their hands into Uncle Sam's hip pocket and said, "We are going to move into another part." We authorized them to do it, and directed them to do it. Let us get the blame in the right place.

Mr. VORYS. I am not talking about blame, but I do not think there is any authority in law for that.

Chairman RICHARDS. Gentlemen, will you speak one at a time, please?

Mr. JAVITS. Will the gentleman yield for an observation?

It seems to me the area ECA is covering is coterminous with the size of the Communist threat—the whole free world.

Mr. BURLESON. That is not the point I wish to make but it is a point. I am trying to get in focus what I think is a practical question as to the accomplishment of the objectives of the program.

Here are two agencies that have the same objectives, one supposed to be temporary and one set up on a permanent basis. They are operating in the same area with the same funds, and it is a long-range program, and a very ambitious one. They are certainly continuing.

Now, you do not improve agriculture, and you do not improve essential services, like health, transportation, communication, and all of that sort of thing this year, and then do nothing about it next year. It is a continuing thing. Anyway, in some of these areas we know very well, as observed during the war, if we put every facility which we enjoy in the United States, in some of these places and walked off and left it, you know how long it would be there.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. BURLESON. I yield.

Mr. ROOSEVELT. I think you have hit upon a very important problem in the minds of many of us as to just what the point 4 responsibility is for non-Western Europe; that is, the metropolitan colonies in Africa and so on, and what the ECA responsibility is. I think this all heads up again into the problem we were discussing yesterday, which is just what are we going to do, if we do anything in this bill, about the continuation of ECA or the transfer of ECA into a new or existing department. Is that not really the problem?

Mr. BURLESON. We are not approaching it from that standpoint because here is ECA—

Mr. ROOSEVELT. When we decide what we are going to do with ECA we will have solved this problem about ECA and point 4 responsibility.

Mr. BURLISON. We can hardly approach it in that respect. As I understand it, here is a program for southeast Asia. At another point in the bill we will have the point 4 people come up and support their proposition within the same measure as applied to the same area. Is that correct?

Mr. FOSTER. That is correct. I would only like to make one point, Mr. Burlison.

Mr. BURLISON. Yes.

Mr. FOSTER. You say in the same area. I think the differences between countries, even though they are contiguous, are quite substantial. I think it is perfectly possible to separate out the problem in two neighboring countries in that area. I can assure you the governments in those areas have considerable differences, and you might have an entirely different operation.

As to your point as to the long-term nature of it, I certainly agree, and we are doing this on the basis of both interests—both establishing the long-term nature of this in those activities which are of a long-term character, and establishing the impact characteristics in those things where you can immediately get some results which show these people that we are interested in their welfare. I think it is a workable system. I think that we have gotten along with it without duplication and waste.

I am sure you will want to talk to Dr. Bennett when he comes up here on this problem from his viewpoint, but one point I would like to make clear is that we could not elect ourselves to do this job. It was felt in the executive branch that we had some assets which could be useful in carrying out the long-term and short-term foreign policy of the United States, and we said while we had plenty to do in Europe we would take it on in that national interest.

Mr. BURLISON. Let me repeat, Mr. Foster, I was not directing these remarks as a criticism. Rather the criticism, I think, rests squarely on the Congress to pin-point responsibility and to approach the question from a practical viewpoint.

Mr. Chairman, I may be crossing bridges before we come to them, but I think that is a fundamental issue which is going to have to be decided along with these many others.

Mrs. KELLY. Will the gentleman yield?

Mr. BURLISON. I yield.

Mrs. KELLY. As I understand it, the ECA is Federal assistance to the nations of the world, particularly Europe, to promote economic recovery whereas point 4 is an endeavor on our part to encourage private enterprise to invest for economic development so that there is a transition period at this time due to changed world conditions.

Mr. BURLISON. That it encourages private enterprise is one part of it—a theoretical part, I might add.

Mrs. KELLY. But due to world conditions at this time point 4 could not go into its full operation.

My question, Mr. Foster, is this—

Mr. BURLISON. Let me observe this: The money comes out of the same pocket. You cannot get away from that.

Mr. VORIS. If the gentlewoman will yield, the ECA law requires, and Mr. Foster administers that law, that it should stimulate private enterprise and work through it in every possible instance.

Mrs. KELLY. That is the channel. However, at this time would it be better for the United States to assist sectional plans such as the Colombo plan in place of initiating new developments or industries?

Mr. FOSTER. I think the Colombo plan is a very promising plan. I think we should work as closely as we possibly can with it. It is based, as you know, on the contribution of the members of the commonwealth and the neighboring states there, and I think that it is a very fine thing. I am afraid of itself it is not sufficient. Perhaps it is my personal inclination that I think many times directly as a United States agency we can be more effective than we can in working through a whole series of international groups in which it is more difficult to get decisions and more difficult, perhaps, to move forward as forthrightly.

Mr. HERTER. Will the gentleman yield at that point for one question?

Mr. BURLESON. I yield.

Mr. HERTER. You have raised a very interesting question there which should be reserved until later, but it fits in here at this point in the record. I wish you would comment on this.

In the draft of the bill we have before us I think there is \$112,000,000 for aid to Korea and rehabilitation in Korea. You operated in Korea prior to the outbreak of hostilities, and some people believe it was the success in some measure of your reviving the economy of South Korea that led to the invasion, among other things. However, that \$112,000,000, as I understand it, is not to be spent by you, but is to be turned over to an international organization to be spent.

We have had some rather unfortunate experiences with UNRRA in days gone by, and I am wondering if you would want to comment on that, because this, as I visualize it, is a turning over of \$112,000,000 in accordance with the United Nations resolution, and the administration would be entirely out of our hands, and it would be carried on entirely by a committee form of administration again.

I wonder whether you would care to comment on that?

Mr. FOSTER. Yes. I will be happy to comment on that. Mr. Herter.

No; I do not think that is a committee form. It is done under the auspices of a group of nations in the United Nations. The United States program will be carried on to some extent, that is, there will be an American director of the relief agency, that is, of the United Nations Korean Relief Administration or Agency—I have forgotten what the "A" stands for—and it will use many of the patterns and practices, I think, that ECA had when it operated in Korea. I think, in fact, it will use a good many of our mission people out there.

Mr. HERTER. To whom would it be responsible?

Mr. FOSTER. It would be responsible to the United Nations.

Mr. HERTER. To the United Nations directly?

Mr. FOSTER. Yes. As to my comments on the Colombo plan, I think I said it was a very promising plan which we wanted to work with. However, I believe I said that I did not believe it supplanted the ability of the United States through its own agency, possibly working alongside of that, to achieve certain things.

I was not in any sense minimizing the ability of those United Nations groups because yesterday, you recall, I referred to our working with them too in these Southeast Asia undertakings which we

have. The statement was that we should not, in my opinion, become completely submerged in that kind of multilateral activity. I think we can continue to contribute by, in addition to our contribution to it over-all, maintaining a single agency on the side to accomplish those things which perhaps can be best accomplished bilaterally. By "on the side" I mean nothing with any evil significance.

Mr. HERTER. I am not critical of the United Nations or the United Nations resolutions.

Mr. FOSTER. I understand that.

Mr. HERTER. But I think there is such a thing as seeing money well spent, and sometimes each nation feels it has an obligation to put its own personnel in the field. Then you get a very bad division of responsibility and authority from the point of view of getting a very difficult job done quickly and efficiently.

Mr. FOSTER. There was a great deal of thought given to the establishment of this particular United Nations group to try to minimize that multi-nation difficulty, and the restrictive influences of too many votes on it. I think what came out of it within that broad framework is a pretty good set-up. I have forgotten the number of nations represented on it. It is either five or seven. Do any of my cohorts know? It is either five or seven, and they are free to act within pretty broad limits by decision of that group, and they have a focal point of direction in terms of Mr. Kingsley, who is the American director of the agency.

Mr. ROOSEVELT. Will the gentleman yield at that point?

Mr. HERTER. I yield.

Mr. ROOSEVELT. I think this problem Mr. Herter brings up is a very interesting and important one. We are all anxious to see money well spent, but I think on the other hand we have got to be aware of the fact that the fellow who is the "money bags" has the danger of becoming known as Uncle Shylock. I think one of the ways we can take the curse off the good we are trying to do, which is so often misinterpreted by the recipients, is to work as much as possible through the United Nations in a lot of these programs—not just Korean relief, but some of the others.

That is why I mentioned yesterday whether ECA or some of the other agencies were doing any long-range economic development or planning with a view to working it out under a United Nations program. I think if we can achieve that and still avoid the difficulties that Mr. Herter referred to, we will encourage the international aspect of it and discourage the Shylock aspect of it.

Mr. JUDD. Will the gentleman yield there?

Mr. ROOSEVELT. I yield.

Mr. JUDD. As I recall it, Shylock was taking money from others and not giving it to them.

Mr. ROOSEVELT. I know, but we are accused of being Shylocks and are accused of giving this away in order to be the economic controller.

Mr. JUDD. They can give their money away, too, if they want to give it away.

Chairman RICHARDS. Wait a minute, Dr. Judd. I am going to recognize you right now.

Mr. JUDD. I am waiting my turn.

Chairman RICHARDS. Dr. Judd, this is your time.

Mr. JUDD. Mr. Chairman, I was going to leave Asia to the end of my time, as I usually do, but inasmuch as others have brought it into

the discussion I want to ask a few questions on that subject first, with your permission.

You recall, Mr. Foster, that when this program was started for Europe it was in essence presented in exactly the terms you use for Asia, which I find on page 8 of your prepared statement, where you say:

The security of free Asia depends fundamentally, therefore, on how effectively America and the West can help the governments of free Asia meet the elementary needs of their peoples.

ECA was set up to help meet the elementary needs of the people of free Europe. It was not enough. We had to move on to a second step or stage, military assistance, so that they could defend themselves against external aggression as well as internal unrest.

Then it was discovered a third stage was necessary. Europe did not have enough raw materials, and if step by step Asia and these other underdeveloped areas were taken over by Communists, Europe's recovery would go by the board. So we went to the third stage, as you said here, of seeking to meet the elementary needs of the peoples of free Asia, partly because that is in their interest, partly because it is in our interest, but primarily because it is necessary in order to pull through in Europe.

Do you not believe we must add as a fourth stage these four words to that sentence:

"The security of free Asia depends fundamentally, therefore, on how effectively America and the West can help the governments of free Asia meet the elementary needs of their peoples—and build their defenses"?

Mr. FOSTER. I think so.

Mr. JUDD. Do you see any way in which you are going to be able to carry on your STEM programs or point 4 programs in southeast Asia if the countries are overrun?

Mr. FOSTER. No; I do not. I would agree with that.

Mr. JUDD. You have more experience out there than anyone else because you have your ECA people there. What is your estimate of prospects of those countries by themselves building their defenses so that they can resist the pressures which you know exist from the north?

Mr. FOSTER. One, I would like to disclaim that. I am not in your league as an expert on the Far East.

Mr. JUDD. But you have real experts out there reporting to you every week.

Mr. FOSTER. I am a 3-day expert on all of those countries. I have missions reporting there. I think again it varies as between the countries, Dr. Judd. I think a number of those countries have the possibility of building their own defenses, but only if we assist them to do so. I think there are some of the other countries which as yet are so thin in their cover and have so little on which to build that it would be very difficult to get any sort of defense until we can first strengthen the governments themselves, or until they can strengthen the governments themselves.

I think the basic necessity in that is to get the support of their peoples, and they will only get the support of their peoples through the achievement of some of these other objectives to which we have referred. It is to that that we therefore directed our first energies.

But, again I must say, each of those countries is an individual case, and the conditions as between them, as you know much better than I, are quite different, and they must each be considered on that basis.

Mr. JUDD. All I am trying to say is, should we not state frankly to ourselves, and to the Congress, and the people, that we have to have a military-aid program in those areas just as well as an economic-aid program, and we have to do both in Asia or neither will succeed, just as in Europe?

Mr. FOSTER. I think in many of those countries we have to do both. In some of them, as you know, they feel they do not want that kind of connection with us. They feel they can do it on their own.

Mr. JUDD. I was shocked to find evidence of that in Europe. You say in your statement dealing with Europe that we must undertake a program for helping western Europe to build its defenses. One of our ambassadors over there told us, "You have no idea how hard a job we have had persuading this country to build its defenses." They did not want to be associated with that kind of effort in parts of Europe either.

However, a great deal of progress has been made there, and you believe we must direct sensible and reasonable efforts, not in the form of compulsion but of persuasion, in that direction in Asia, too?

Mr. FOSTER. I certainly do. As you know, in many of the countries we are actually moving forward to that sort of military strengthening as well as an economic strengthening.

Mr. JUDD. Is the biggest bottleneck in your programs in those countries money, or is it the right kind of persons? I am talking about Americans now. Is it American money or American persons?

Mr. FOSTER. I would say American persons.

Mr. JUDD. Do you not think the major reason why you have been so successful in Burma, for example—which was on the ropes only 2 years ago, and your mission more than anything else has shored it up—and in Formosa and other countries, is that you had fellows like Moyer and Winfield, who understood those countries and their problems and who began from the bottom instead of starting from the top under a master plan, devised in Washington, with a subdivision for each country, and trying to make all these countries into a sort of little America?

Mr. FOSTER. I think we cannot ever give enough credit to the people who have gone out to those countries, such as Dr. Moyer, and many others of our mission chiefs who are out there and who have been able to understand the nature of the people and get their confidence and to work with them in achieving this improvement. I think the results in Formosa are really amazing, and I must admit that when I went out there I had not expected to find anything like that. I state that almost as an example of how with a little money and the right people you can completely transform an economy.

Mr. JUDD. I was pleased to hear the Rockefeller Foundation medical expert, Dr. Grant, say recently that the medical program there has developed so well that in the Rockefeller Foundation they are now advising people from India and other Asian countries to go to Formosa to see how getting medical aid and health education to the country people can be done.

Coming back to Europe, you say on the first page of your prepared testimony that we have increased their agricultural production about

9 percent above prewar levels. Do you have, or does one of your associates have, the figures for the population increase in those countries during the same period of time? Is it not about that amount?

Mr. FOSTER. I think it is about 10 percent.

Mr. JUDD. So that approximately they are not much better off per capita?

Mr. FOSTER. Just about what they were as far as availability goes.

Mr. JUDD. The question of unification has been brought up by several Members. The committee has heard me argue this here and in the House for many years. I felt, as you said, that while we were passing out the dollars, we ought, in a noncompulsory way, to make certain they feel encouraged to achieve certain goals. I wonder if you think it is too specific to say in the ECA law where it now reads:

It is declared to be the policy of the people of the United States to encourage the further unification of Europe * * *

the first year it was the "unification," and the second year it was the "further unification"—would it be all right to put there, "the economic unification and political federation of Europe"?

Mr. FOSTER. I will have to pass to the State Department the political federation part of that. The first part of it I would accept; the first part of that phrase, that is.

Mr. JUDD. The first part, "economic unification," is the more urgent.

You say Greece is not going to be able to make it without outside help. There are certain States in the United States that could not make it if each were a completely separate economic unit. Having the 48 States in one economic unit is what gives the whole economy, and therefore each State in it, strength.

Mr. FOSTER. I think you can state those objectives and that particular objective appropriately because that is what we have pressed for with all of our vigor for these 3 years.

Mr. MERROW. Will the gentleman yield at that point?

Mr. JUDD. Yes. I yield.

Mr. MERROW. In that connection, would you make reference to quotas and the desirability of removing tariff barriers, and dual pricing, and so on?

Mr. FOSTER. Some of those I think are already in. I think we talked about tariff barriers in the existing act. As to quantitative restrictions, certainly they can be mentioned. We have mentioned very forcefully dual pricing. Again, it is in context. It is how much detail you want to go into. Economic unification, in the terms that Dr. Judd speaks of, would cover all of these. If you want to specify within the broad phrase the detailed considerations that go to make up the broad phrase, the trouble is you may be more restrictive than if you leave the broad phrase. But, you gentlemen are legislators and can make the phrases better. I would be a little afraid we might be more restrictive rather than more encouraging if we specify it too much in detail.

Mr. JUDD. The major new step we debated when extending this law last year was the Payments Union. Do you feel it has worked as well as you contemplated, or expected, or hoped for it?

Mr. FOSTER. I think it has been one of the great achievements of this whole activity, and I think it has the promise of being an enduring, permanent institution, which can lead to even broader integration.

Mr. JUDD. It is largely out of OEEC and the Payments Union that the movement for a united Europe has developed. Is that not right?

Mr. FOSTER. Yes, sir.

Mr. JUDD. What hope do you see of achieving in the military production field the same kind of thing as, or something like, the Payments Union, where each country will produce all that it can of a commodity or weapon that is needed for the whole area, even though that is far beyond the needs of the particular country? I say that because only if you mobilize the full productive capacity of all those countries can they stand and can we lessen the burden on ourselves.

Mr. FOSTER. That is a more difficult thing to achieve. I think the Schuman plan is the first constructive and positive step toward it. It has had a very difficult role getting as far as it has, due to the natural reluctance of both private industry and government to throw their production into the one pool; but we believe it will go through, and we believe that it will be a pattern for other similar kinds of economic pools, and it will lead to what you have in mind in due course. I doubt that that is an approach you can achieve in one fell swoop.

Mr. JUDD. Yes; but you believe there is hope of working out a formula such as the Payments Union was for the paying up of inter-country debts at the end of stated periods, and that something similar can be worked out in this field?

Mr. FOSTER. I am not sure you can do it by a formula, Dr. Judd. I think rather this will be achieved through a series of steps related to each other and built on the Payments Union, which is one of the things which will make it possible.

Without the Payments Union there would have been no hope of ever achieving this, in my opinion, because you would not have had the ability to settle balances at the end of a period, which you would require in order to make this kind of a products pool to which you refer.

Mr. JUDD. Do you foresee a time in the reasonably near future when the Payments Union can stand on its own without contributions every year from the United States?

Mr. FOSTER. Yes. I am not sure what we mean by the reasonably near future, but I see a time, and we are certainly moving toward that. I think that had been our concept from the beginning—that we had to finance the initial stages of this in a substantial measure, but certainly, as it got under way, it should be able to do that financing itself.

Mr. JUDD. Is that not one of the major reasons why we must continue an economic-aid program, whether it is called ECA or something else?

Mr. FOSTER. Yes, sir.

Mr. JUDD. You brought up the Schuman plan, and I would like to ask you a question about that. You say it is another heartening move toward unification. Is it so heartening? Do you wholly approve of the Schuman plan, or are you afraid of its becoming an international cartel, as is so frequently said?

Mr. FOSTER. I am not afraid of its becoming it. Had it not been subjected to the kinds of provisions it has in it, that form is one that might lead to a cartel. In other words, when you put together basic industries of that sort and when you put the principal enterprises within the control of a small group, you have, of course, the possibility of a cartel type of control.

The specific provisions in the Schuman plan, the method of government, the method of appeals, and the basic philosophy which lies behind its objectives, are such that I do not think it will be used for that purpose. But, the form is such that without all of those restrictions it could well be.

Again I think it is a question of the spirit in which it is carried out, and I think that spirit is the right spirit, and I think in view of that the possibilities are good—

Mr. Judd. In your opinion, is it true, what we heard in various places, that the greatest need in some of these European countries is not that they get more of our goods, but that they take over more of our methods, that is, the technical, organizational, managerial know-how, of which you are an example par excellence, and, even more, a change in their economic philosophy?

I met an Englishman who said, "I have been in America, and the trouble is that England's economy has been built, for years on how much money we can make out of producing as few things as we can at as high a price as possible. Yours is the opposite. Your economy is based on how much money you can make out of producing as many things as you can for as low a price as possible."

He said that habit of thinking in his own country had not changed, and there was a greater lag in getting that change of philosophy than there was in any other field. Do you agree with that?

Mr. FOSTER. I do. I think the toughest job we have, as you indicated, is to change the state of mind. That is tough not only in the European countries, but in our country, to change the state of mind. I think there is great hope, though, in some of the younger managers and some of the younger owners of these businesses and, I think, in some of the rising trade union leaders. I think that is one of the things to which we are devoting a great deal of our time and effort. I think there is hope that we can change that state of mind, but before we can achieve any of these other things, we have to do that, and that is the tough job.

Mr. Judd. One more item and then I will pass and let others have time. I will be back later, I hope.

I judge from your statement yesterday that you feel an organization like ECA, whether it is called ECA or not, must be continued, and that you prefer to have it continued on an equal status with the regular Government Departments, coordinated with them but not under them, either Defense or State. Is that correct?

Mr. FOSTER. That is correct.

Mr. Judd. Do you feel that the Military Assistance Program should be an independent operating agency separate from Defense or State?

Mr. FOSTER. I am not sure as to the distinction which you make.

Mr. Judd. I am speaking of the Military Assistance Program. Yours is the economic assistance program.

Mr. FOSTER. You mean the end-item program in which we supply the manufactured equipment to the Europeans?

Mr. Judd. Yes. We have an economic and a military-assistance program. The economic program should be separate, we believe. You do and we do. Do you think the military program should be separate also?

Mr. FOSTER. Whatever or however the military program is handled, certainly the procurement and the development and the decision as

to equipment and forces is a military problem and should be done by our military. As to whether the actual delivery of that end item and the scheduling of it could be done under a separate organization, I am not so clear on.

I have in mind, of course, the recommendations that were made by the Committee on the Present Danger, which came out with a recommendation that a new economic agency be set up which would administer both forms of aid since basically they were both economic aid. I think that is a suggestion that is certainly worth considering.

The ability to separate the pure administration of that program from the procurement and other parts of it may not be as easy as that committee indicated; and if it is not, then it would be better to leave that administration in the military, as it is now.

Mr. JUDD. But, in principle, do you agree it would be desirable to have each of them separate from the regular policy-forming agencies? Or, do you believe they should be combined into one, the military and economic in a separate agency, correlated with but not under the old-line agencies?

Mr. FOSTER. I will not come to that. I cannot answer that question specifically.

Mr. JUDD. I am not trying to commit you, but just to get your judgment.

Mr. FOSTER. I think if you are able to separate the delivery—to use an oversimplified term—of the end items from the procurement, scheduling and policy part of it, it would be perfectly possible mechanically to put the administration and the delivery of that into the same agency that administers the economic assistance; but I have to base it on the question of whether you can so separate it. Of that I am not quite so sure, and I think you might do better, and I think the military perhaps could answer that one better than I.

As far as scheduling the goods goes, of course we can do it. We have done that on all kinds of commodities all the time we have been in business, but whether they can be separated out as an operating function of that character, I do not know. I am not so clear on that.

Mr. JUDD. One of the reasons why I asked this question is because the chairman was present with me and some others in a meeting the other day, where one of those present said, "After all, if you pour water into the bowl, it does not make any difference whether you pour it in on this side or on that side. If we give them military assistance, it leaves them more of their own money for economic purposes, and if we give them economic assistance, it leaves them more money for their military. So, it does not make any difference."

If that is true, or to the extent that it is true, the two should be coordinated so that even if the total of economic and military does not change, the balance between them—which is the better way to apportion them with the least drain on ourselves—could be better regulated through one agency. Is that right?

Mr. FOSTER. Certainly you need the coordination. I agree with that. The coordination now is done as between operating agencies by the ISAC under the chairmanship of the representative of the Secretary of State. Whether that again would be improved, you still need the coordination of the procurement and development.

Mr. JUDD. That is right.

Mr. FOSTER. So that whether it is a part of the military job that could be separated out of the procurement and development and

moved sidewise into the administering agency, I am not so clear on that.

Mr. JUDD: But if it could be done, there would be certain advantages from the standpoint of both the economic and military-assistance programs.

Mr. FOSTER. If it could be done, I should think it would.

Mr. JUDD. Thank you.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. Thank you, Mr. Chairman.

Mr. Foster, how great do you think the difficulties are of sustaining these economic programs for southeast Asia in the light of new demands from the rearming areas of the world?

Mr. FOSTER. Mr. Hays, you mean in terms of the available materials or in terms of the available dollars? I am not quite clear.

Mr. HAYS. It is a sort of cover-all question. The rearming movements in Europe have had an impact on your goals and on your program for southeast Asia. Are we going to be able to sustain with any degree of hopefulness these rehabilitation programs for southeastern Asia and carry the rearming aids at the same time?

Mr. FOSTER. I think we can, Mr. Hays, and I hope we can, because I believe the carrying of that part of our program is also vitally important to strength for the free world, as Mr. Vorys said earlier. I think we cannot afford to focus entirely on Europe to the exclusion of those programs which have great significance to those peoples, and great significance in terms of what they can contribute to the free world.

Certainly our most important set of relationships are those with Western Europe, but they are not so important, in my opinion at least, that they should be focused on completely to the exclusion and to the elimination of these responsibilities, which I think are great, in southeast Asia and the Far East.

Mr. HAYS. You would agree, in other words, that it is very wholesome to find this new interest in the welfare of southeast Asia?

Mr. FOSTER. I certainly would.

Mr. HAYS. Of course, in some respects a rearming program with the accentuated demand for certain things that they can supply advantageously; but there is a delusion about that that we must be on guard against. Is that a fair statement?

Mr. FOSTER. Yes, sir.

Mr. HAYS. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. Senator Taft has recommended, I believe, that this be a 2-year program instead of a 1-year program. In other words, the amount to be allocated on the recommendation of the administration for this year should be spread over 2 years. Would you please comment as to what effect that would have on the program which you are justifying?

Mr. FOSTER. Mr. Fulton, if the effect of that were to be in essence a 50-percent cut in the available funds, then I would say the effect on our program would be very, very grave indeed. If one of the reasons given for the suggestion of that program by someone—I am not sure whether it was Senator Taft or someone else—was that they had doubts that we could obtain the materials to utilize the funds within 1 year, if the program was set up so that it lay within the dis-

cretion of the Administrator as to the rate at which the funds could be expended, up to 2 years, then, of course, it would have little effect because if there does exist a limit on the availabilities, then we could not spend it any sooner. However, I do feel that any such cut as 50 percent in the sums which are being asked for for this program would not only have a very substantial effect, but would interfere very seriously with the build-up of military strength in the countries to which this aid goes.

Mr. FULTON. As a matter of disagreement, would you then strongly disagree with such a change in this program which may affect, for example, the security of the United Nations and the United States and the free nations that are allied with us?

Mr. FOSTER. I would disagree just as strongly as I am able to put it down, because I think that that sort of a reduction in the ability to do this job would be a disastrous thing from the viewpoint of our national interest.

Mr. FULTON. Do you think it would have a psychological effect that would be adverse abroad among these nations that are now associated with us?

Mr. FOSTER. Extremely bad, because what is happening today, in my opinion, is a growth of confidence that we are building strength and that we are building strength sufficient to lead from strength in our arguments with the Soviet. If this reduction were to destroy that growing confidence we would have lost something that it has taken us a long time to build, and I think is one of the great assets we now have in the free world.

Mr. FULTON. Would you go so far as to say that a relaxation of our efforts, both militarily and economically, would be increasing the danger that we are opposing?

Mr. FOSTER. I cannot think of anything that would be more acceptable to the Soviet than a relaxation at this time.

Mr. FULTON. Britain, as you recall, had been almost opposed to the Schuman plan and, let us say, had not given it a warm reception at birth. Has there been any change in the British official position towards the Schuman plan that might look toward cooperation in the advancement of this plan?

Mr. FOSTER. I think there has been no change in the official position. They were not opposed to it in that sense, as you surmised. They simply did not want to enter into it as far as Great Britain went. Officially they are still of that viewpoint.

Mr. FULTON. Does the British position on colonial preference or empire preference cut across the ability of your agency to do a good job on the building up of these countries for defense?

Mr. FOSTER. There was a very good exposition of the British position in the New York Times written by Mrs. McCormick.

Mr. FULTON. When was that?

Mr. FOSTER. This morning. I think certainly the rather divided interests of the British Empire make it difficult to integrate completely the efforts of the United Kingdom with the continent of Europe. I do not think, however, that that can be said to interfere seriously with the objectives we have in the sense of imposing undue obstacles. Of course, we have wanted to have a greater joining in of the United Kingdom in the efforts toward integration of the Continent.

I think that the Schuman plan is an example of one of the things that we in the United States Government felt it would be better if they were in, and we hoped that they could be. They could not be, and they decided against it. I think that is typical of the type of reservation sometimes which they feel in their interest they must make. It does at times, in our opinion, slow down at least the movement toward a complete integration. They have very good reasons, in their opinion, for it, and they have these other interests of their commonwealth and of the sterling area, and I think they are genuine reasons, and I think we must accept them as genuine.

It does not help us in getting on with the job, and it does not prevent our doing the job.

Mr. FULTON. The point I was leading up to, of course, was something that was suggested by your statement that we were assuring the flow of strategic materials and resources fairly throughout the free world. Now, taking that as a fundamental postulate, then are we not building up, through advancing the money for colonial development in the British Empire, a system where we have a second-class card because of empire preference and colonial preference with regard to those strategic materials? Are we not then in the minor leagues compared to any British dominion and any British colony, so that when the distribution is made we come in second?

Mr. FOSTER. There might be that possibility. It has not developed in that way, Mr. Fulton. We do have complete—we have fair and equitable access to those raw materials through the other arrangements that are worked out. I do not think the colonial preference in that sense has prevented our having the right to get those materials which are useful in our own production.

Mr. FULTON. The colonial and empire preference has been used rather in exchanging trade transactions than at the production and strategic materials level so far?

Mr. FOSTER. That is right, sir.

Mr. FULTON. Should we in this act make any reservation to prevent such a thing occurring when that does become the prime factor?

Mr. FOSTER. I think our fundamental protection is the fact that the British are full partners of ours in this activity, and I would personally, just expressing a personal opinion, feel that it was rather unwise to attempt to protect that partnership in that way.

Mr. FULTON. Is any other member burning with questions?

Mr. ROOSEVELT. I have just a technical question to ask of the Chair.

Chairman RICHARDS. You know about the bells.

Mr. ROOSEVELT. The second bell has rung.

Chairman RICHARDS. We still have some time. I want to say to the committee we will go into executive session this afternoon at 2:30. Mr. Dulles will be here from 4 to 5 in executive session to tell us something of the Japanese Treaty.

Mr. ROOSEVELT. I have a procedural question to ask. If we adjourn now, Mr. Chairman, my line of questions really belongs in the executive session. Where will the questioning start this afternoon when we resume at 2:30?

Chairman RICHARDS. It will start with Mr. Fulton, if he has not finished, and then you.

Mr. ROOSEVELT. That is fine, then.

Mr. FULTON. I thought somebody might be burning up with questions he wanted to ask before we adjourn.

Mr. JAVITS. I have one question before we leave the public session.

Mr. FULTON. I will be glad to have you; go ahead.

Mr. JAVITS. You talked about the Colombo plan, and you talked about the United Nations, but you have not told us whether you are planning for an Organization for Middle East Economic Cooperation and an Organization for Far East Economic Cooperation, combining those nations for self-help just like we have done in Europe with the Organization for European Economic Cooperation. Are you planning that in these new areas?

Mr. FOSTER. Mr. Javits, I think that those have got to come from the nations themselves, just as did the OEEC, and just as did the Colombo plan. I do not think any plan we attempt to impose on them in that sense could probably be a success.

Mr. JAVITS. In Europe, of course, they responded to our statement that we were going to inaugurate a Marshall plan. In the Middle East and Far East, too, it would be just an invitation. We would say to them, "We are going to inaugurate a plan in your area. Will you do what the nations of Europe did, that is, get together and form your own organization to tie in with that plan?"

I do not see why we cannot do that. I might say this to you: I think we have been accused of uncertain leadership. It seems to me our failure to give such an invitation just underlines that criticism. It is the right thing to issue such an invitation as the program is one of self-help and mutual cooperation and we ought to do it. There is no reason why we ought to be diffident about it, and I do not think it will be taken amiss by the nations concerned because it is right.

Mr. ROOSEVELT. Perhaps those nations already informed us they would not like that invitation at this time.

Mr. JAVITS. Then we ought to know that either in open or executive session.

Chairman RICHARDS. The committee stands adjourned until 2:30 this afternoon, when we will be in executive session.

(Whereupon, at 12:20 p. m. the committee recessed until 2:30 p. m., when the committee would meet in executive session.)

(The committee reconvened in executive session at 2:40 p. m. and remained in executive session until 3:20 p. m., at which time, by committee decision, the following discussion was had in open session:)

Chairman RICHARDS. We will now go into open session. Mr. Javits.

Mr. JAVITS. You told us, Mr. Foster, that what these underdeveloped countries want is not primarily money, but goods. Is that not in effect what you told us?

Mr. FOSTER. Yes, sir.

Mr. JAVITS. They can get the dollar bills they need from the raw materials they are selling, but they cannot get manufactured goods and machine tools and other equipment necessary to improve their economy, their health, and their living standards—now extremely low. Is that correct?

Mr. FOSTER. They might have great difficulty doing it due to priorities or lack of availability.

Mr. JAVITS. Would you recommend that we legislate on that subject and establish a form of priority which would give them some

proportion of consumer goods, or machine tools, in order to bring out from them the maximum amount of raw materials?

Here you are going to underdeveloped countries and want them to produce more of the things that are fundamentally needed by us and our allies in Europe to create military strength. Yet they want things we cannot give them. Should we legislate to say that we give some proportion of our consumer goods, machinery to them, because they are producing the fundamental raw materials that are the basis of the whole job?

Mr. ROOSEVELT. Will the gentleman yield?

Mr. JAVITS. Yes.

Mr. ROOSEVELT. For clarification of your question.

Mr. JAVITS. Certainly.

Mr. ROOSEVELT. Are you talking about goods that they need purely to augment their production of the raw materials that Western Europe and the United States need for military production, or are you talking about (b) the civilian consumer goods, that they need to raise their standard of living, but which they cannot get because of the tremendous demand here in the United States?

Mr. JAVITS. I am talking about both (a) and (b) which they need to increase their raw material production, and which we in turn need for military purposes.

Mr. ROOSEVELT. But the (b) they might not need for increasing their production.

Mr. JAVITS. They do need some consumer goods or you cannot get the maximum production of raw materials out of them. That is axiomatic in the underdeveloped areas.

Mr. FOSTER. My response to that question, Mr. Javits, is that I would be very fearful of covering this with legislation. I think it is perfectly possible to achieve what you have suggested there by a wise executive policy. I referred yesterday, I believe, to a foreign allocations policy statement which has now been accepted by the President and by the Director of Mobilization, and is the policy of the United States Government.

I would like, if I might, Mr. Chairman, to submit that statement for the record.

Mr. JAVITS. All right.

Chairman RICHARDS. Without objection that will be done. We are glad to have it.

Mr. FOSTER. It covers what you have in mind. I would say as far as legislation goes I do not think we need it. I think it would be very fine, however, to have the support of the committee that this is wise policy for the United States Government. I do not expect you to accept it as policy until you have read it, but in effect what it does is to say that we will equitably share these goods which we have in order to achieve both things.

First, of course, essential military requirements and essential civilian requirements. After that, even on the use for less essential civilian requirements, we would put them in a comparable position at the moment.

Mr. JAVITS. Could you implement that further in order to give percentages in this field?

Mr. FOSTER. No, sir. I could not; and I would be very fearful of the rigidities of specific percentages, because I think—I do not want

to belabor this point, but conditions are so different between different economies that if you become too specific in percentages you defeat the need for judgment in getting this thing done.

Mr. JAVITS. Now, Mr. Chairman, I ask unanimous consent that that be made part of the answer to my question, that is, the statement of policy of the witness.

Chairman RICHARDS. Without objection that will be done. It is so ordered.

(The document referred to, entitled "Foreign Allocations Policy," reads as follows:)

ODM Doc. 6
May 25, 1951

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION

SECRETARIAT

Subject: Foreign allocations policy.

Contents: Statement by the Director of Defense Mobilization.

Comments: Originally prepared and submitted to the Director of Defense Mobilization through the ODM Foreign Supplies and Requirements Committee under date of March 5, 1951.

Action: Considered by the Defense Mobilization Board (Item II, DMB-M-9 and item XI, DMB-M-10). Revised May 25, 1951, following the discussion by the Board. Issued by the Director of Defense Mobilization as policy guidance to agencies operating under the defense mobilization program.

ODM. 770

STATEMENT BY THE DIRECTOR OF DEFENSE MOBILIZATION ON FOREIGN
ALLOCATIONS POLICY

The President, in his message to Congress, on May 24, 1951, outlined our basic policy to strengthen the free nations of the world.

In carrying out that policy, the following specific guides to the allocation of resources which are to be devoted by the United States to foreign needs should be followed:

(1) When there are competing requirements of similar high essentiality in terms of the over-all objective, allocations policy should attempt to satisfy such requirements according to the degree to which they will contribute to the following results:

(a) Military production of the free world, and direct support for the expansion or improvement thereof;

(b) Promotion of increased supplies of all materials essential to strengthening the free world, and in particular the production and acquisition of those materials required for the current mobilization effort of the United States (including military reserves and immediately necessary additions to stockpiles) and for similar mobilization efforts of nations actively associated with the United States in the defense of the free world;

(c) Maintenance and necessary expansion of essential services and production facilities, and maintenance of minimum essential civilian consumption requirements, in the free nations and in areas which they control;

(d) Direct progress toward reduced future dependence upon military and economic assistance from the United States;

(e) Lessened dependence of the free nations upon supplies from areas or countries within the Soviet bloc; and

(f) Prevention of political deterioration in nations or areas essential to the combined strength of the free world.

(2) Allocations by the United States form part of a wider give-and-take among the free nations. Among the countries sharing in such allocations the principles of self-help, mutual aid, and similarly effective application of internal policies governing the allocation and use of scarce materials should prevail.

After requirements of high essentiality have been met, the intercountry allocation of remaining supplies by the United States (including allocation to American domestic consumers) should take into account the effects upon the respective civilian economies of the broad contribution of each area or country toward common defense, in direct military production or in increased political and economic strength, including the common aim of controlling inflation of world

prices. Individual countries differ widely in their ability to make such contributions; the objective should be to bring about an equitable distribution of the resulting burdens and sacrifices. This objective clearly excludes any mechanical formula, or any mere leveling down to a uniform standard of lowered consumption.

The foregoing principle is admittedly difficult to apply, since standards of consumption in different areas of the world are determined by a complexity of factors, such as normal levels of real incomes, customs, cultures, and climate. But its application is of high importance for the attainment of the over-all objective of economic strength and morale in the free countries.

(3) The establishment of adequate export quotas from the United States for materials and commodities under export control will not meet the criteria outlined above, if foreign purchasers cannot place orders or secure delivery because United States suppliers prefer to satisfy their domestic customers. Commercial channels of trade should normally be used, but exports should be assured by priorities and/or directives to producers whenever necessary. When such assistance to exports is thus given, care should be exercised that corresponding assistance for domestic orders of similar essentiality is extended, if necessary.

(4) Corresponding allocation objectives and policies on the part of other free countries should be promoted by the United States by all practicable means agreement on and implementation of such policies on the part of other countries is especially important to the development of adequate supplies of the materials, facilities or services of which they control substantial portions of the total available world supply.

(5) Allocations of available supplies for abroad shall be administered in conformity with statutory and executive policy designed to prevent shipment or trans-shipment to the Soviet bloc of war-potential materials and products.")

Mr. VORYS. Will the gentleman yield?

Mr. JAVITS. Of course.

Mr. VORYS. On one part of your question as to furnishing so-called incentive goods in the so-called backward areas, as I understand it, there is no program of that character involved, is there?

Mr. FOSTER. No, sir. The only commodities which we propose to finance under our actual aid provisions would be essential commodities to promote specific projects within the economic development program.

There is, however, a matter of our acting in the United States Government—and ECA does this for the countries where we have missions—as claimants for those goods to countries which are within our program. In other words, there might be some other goods which were in short supply here which, in order to get them out to southeast Asia, would need somebody to be their advocate before the allocating agencies of the United States Government. We stand in that position for these countries.

Mr. JAVITS. In other words, you are not dealing with the dollar problem, which I think was the point of Mr. Vorys' observation, but you are dealing with the problem of actually getting the goods if there is any difficulty in getting them?

Mr. FOSTER. That is correct.

Mr. JAVITS. The countries themselves have the dollars for these particular goods and ECA is not supplying them, but ECA will propose to act in the capacity of seeing that this country gets goods in the United States for its dollars, and not ECA dollars?

Mr. FOSTER. That is correct, and we really act in that position before NPA and DPA.

Mr. JUDD. I want to say again at this point that I think there are real advantages as I brought up this morning, in having the two programs coordinated or even united in one operating agency, that is, the economic and military assistance programs.

Mr. VORYS. If I may come back to this incentive goods business, in 1947 and 1948, and even back under lend-lease there were incentive goods programs, that is, tobacco, and some clothing, and that sort of thing. We were told it was necessary to provide those goods under the program so that people would work in those countries. But, as I understand it—and I want to get this clear—there is nothing in the whole \$2,200,000,000 for the purchase of that sort of goods this year. Am I right or wrong about that?

Mr. FOSTER. No. If I gave you the impression that was so, I was wrong. There are provisions in that total for some incentive goods still. In southeast Asia, for instance, we may need to generate some counterpart. These countries are short of local currency in some instances, and we may send in goods which can be sold on the civilian market to generate counterpart, and out of that counterpart we can undertake these broad programs which they might otherwise not have been able to produce.

Also, in Europe we are still procuring goods such as tobacco. That can be considered, according to the way in which it is put on the programs of these countries, as not only an incentive goods, but a necessity. We have financed a substantial amount of tobacco, because many of the governments have included tobacco as part of what they consider an essential program of aid.

Chairman RICHARDS. Will the gentleman yield there?

Mr. VORYS. Yes.

Chairman RICHARDS. You talk about generating counterpart funds. What do you mean by that? Do you mean starting the circulation of counterpart funds?

Mr. FOSTER. No. If we have a grant program—and let us take Indochina, because that is one of the states where we have to generate this counterpart in order to go on with our local programs—in Indochina the government there has such great difficulty with its tax collections that it is unable to appropriate local currency which can be used to set up the health clinics or some of the agricultural improvement stations. Therefore we in our grant program approve of the importation into Indochina of—well, I do not think there is any tobacco in it, but certainly there are some textiles which come into that country. Those textiles are sold on the local market for whatever the currency is—piasters. In Indochina the piasters are put into the Central Bank and used under joint approval by the Vietnamese government and our own government to finance this health station which I referred to.

The commodities are in effect given to the government of the associated states and the money received through the sale of those commodities is deposited to the credit of the government. It cannot be spent by the government, however, except with the approval of the United States.

Chairman RICHARDS. That is right. That is the whole counterpart plan, but I got mixed up where you used the word "generate." I thought you were talking about local currencies.

Mr. FOSTER. It is a little different than it is in Europe because we do it deliberately for the purpose of generating counterpart to carry on these other programs; whereas in Europe the generation of counterpart is to some extent a byproduct of the major commodity programs.

Mr. JUDD. In Europe sometimes you use the counterpart really to retire currency or to pay off the national debt.

Mr. FOSTER. That is correct.

Mr. JUDD. Because the problem is to get less currency in circulation and less inflationary pressure in the country, whereas in Asia there is just not enough currency to carry on an expanded economy.

Mr. FOSTER. That is correct, Dr. Judd.

Mr. JUDD. That is one of the biggest problems in Formosa.

Mrs. KELLY. Will the gentleman yield?

Mr. JUDD. I yield.

Mrs. KELLY. Mr. Foster, at this point I want to ask you a question on the Vietnamese problem. In dealing with that, do you have to get the consent of France, or do you deal directly with those dominions? I am speaking particularly of the three northern provinces, where they are now seeking a dominion status.

Mr. JAVITS. May I advise the witness we are on the open record here?

Mrs. KELLY. Not at this point.

Chairman RICHARDS. Yes, we are.

Mrs. KELLY. I request we go back in executive session.

Chairman RICHARDS. We will go back in executive session then. Have you another question first, Mr. Javits?

Mr. JAVITS. I have a question or two, but I will wait on Mrs. Kelly.

Chairman RICHARDS. I believe we had better complete the questioning in the open session first, then, and keep it together.

Mr. JAVITS. Mr. Foster, do you think it would be useful to us if you segregate out of what is being requested in money that part of it which you say is incentive goods and present us a memorandum to show what that is?

Mr. FOSTER. We will be happy to present an illustrative set of figures on that point.

(The information requested is as follows:)

RE "INCENTIVE GOODS" IN SOUTHEAST ASIA PROGRAMS FOR FISCAL YEAR 1952

Economic Cooperation Administration's southeast Asia programs are not directed toward supplying "incentive goods" in the sense of supplying goods that induce otherwise idle persons to work by providing something for them to spend their earnings on or by making payments to them in kind which enable them to subsist while they are working on a project. However, the majority of these programs do contain a substantial element of commodities which it is proposed to import into the southeast Asia countries in order to maintain supplies which are in fact deemed vital to the functioning of their economies as well as necessary to help finance local currency costs of the ECA country programs. These proposed commodity imports are shown in aggregate amount in country tables opposite the category heading "Maintenance of essential supply." This category includes both requisites for production and other essential civilian supplies. "Requisites for production" include fertilizer, various industrial raw materials, equipment items for sale to industry, and other miscellaneous salable items designed to facilitate the operation of the production system. "Other essential civilian supplies" consist of and large of consumer goods such as food, textiles, POL, and drugs and medicines. There follows an illustrative listing, by country, of the proposed amounts in these categories for fiscal year 1952.

*Fiscal year 1952 illustrative totals**(In thousands of dollars)*

Country	Requisites for production	Other essential civilian supplies	Total, main- tenance of essential supply
Formosa.....	37,718	16,750	167,190
Philippines.....	13,390	4,810	18,200
Indochina.....	12,438	2,472	14,910
Burma.....	1,000	200	1,800
Indonesia.....	None	None	None
Thailand.....	None	None	None
All southeast Asia countries.....	65,143	24,232	102,100

¹ Includes \$12,725,000 of common-use items in addition to "Requisites for production" and "Other essential civilian supplies."

Mr. JAVITS. I have not heard you talk very much about the International Bank. It is a fact—is it not?—that the International Bank represents a very material source for investment funds of the kind which will produce the results that you discussed in connection with this program?

Mr. FOSTER. Yes, sir, and if I did not talk about it it is simply because it has not happened to come up before, because the International Bank should be considered the primary source of investment capital for long-term projects to the extent that they are able to find appropriate projects, and we do use it in that sense.

Also, the Export-Import Bank is a source of development capital as well as commodity financing in addition to our grant programs, and we do not propose in our program for fiscal 1952 to enter into any loan activities directly in ECA, except perhaps some counterpart funds for the development of strategic materials; but all of these programs will be worked out in coordination with each other, so that if a country can get a loan from the International Bank in the first instance we would propose that they do so.

Mr. JAVITS. The International Bank, as distinguished from the Export-Import Bank or your own operations, represents no additional money from the United States. Is that not true?

Mr. FOSTER. That is true. We have not yet advanced our promised capital to the International Bank. They have been able to finance in the open market their requirements so far, and I would presume they could continue to do so.

Mr. JAVITS. It is not our promised capital, I believe. We have advanced our capital, if you will permit me to explain, but we have not subscribed any part of our guaranty of its obligations. We do not have to do that until there is a loan default. Is that not so?

Mr. FOSTER. That is correct.

Mr. JAVITS. So, the bank could make all the loans which it is possible and it would not cost the American taxpayer a dollar?

Mr. FOSTER. That is correct.

Mr. JAVITS. Would it not be to our interest to build up the lending power of the bank materially beyond where it is today, right in connection with this bill?

Mr. FOSTER. I am not certain that would be so because I think one of the problems of the bank is to find bankable projects. I think they have the capital available to meet the bankable projects so far;

the bankable projects again being limited by the availability of goods and equipment.

Mr. JAVITS. As I recall the report of the International Bank—and you will correct me if I am wrong—they say that if the ECA operation should stop, or when the ECA operation should stop, they feel there will be a much greater demand for loans from them.

Mr. FOSTER. I think that is a possibility in that there may be a tendency, when there is grant money available, to walk away from having to borrow it. I think that is perfectly possible. I do not think anyone can predict or state positively, however, whether that amount is substantial or not. There are many advantages in this sort of grant program through which we can obtain action on the part of these governments which is in line with our conception of an economic development program for the long-term improvement.

Mr. JAVITS. Is it fair to say, therefore, that the grant money is largely what is called seed money; that is, it forms the basis on which loans may later be made, provided there is adequate technical competence in the country to prepare loan projects?

Mr. FOSTER. I think that is a fair statement.

Mr. JAVITS. So that, as we go along, the demands on us to do the job needed to be done in the free world can be materially reduced, especially in these underdeveloped areas, provided that the International Bank is ready more and more to step in and meet the demands which are created by our present basic activity?

Mr. FOSTER. That is a fair statement.

Mr. JAVITS. Do you not think under those circumstances we ought to do everything possible to build up the capital of the bank, if it would not mean building it up with our own money?

Mr. FOSTER. I think that would be a desirable thing certainly to do, because as these conditions improve then you will have greater calls for these bankable projects on the International Bank.

Mr. JAVITS. Has the ECA made any study of merging the bank and the fund? We have some billions of dollars tied up in the fund which has appeared to me for a long time to be close to sterile.

Has the ECA thought through, as part of its long-range responsibility, the consequences to this whole program of merging the fund and the bank, and increasing the resources of the bank by something in the area of 2 to 4 billions of dollars without costing the United States taxpayer any money?

Mr. FOSTER. No, sir; we have not.

Mr. JAVITS. Will you give us your comments on that?

Mr. FOSTER. Yes, sir.

Mr. JAVITS. The bank has expressed itself, as has the fund and the Secretary of the Treasury. This is my first opportunity to bring the question up with ECA. Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Javits, do you have any further questions? Does anybody else want to ask anything while we are in open session, for the record?

Mr. JAVITS. I had one other question. I did not want to take the committee's time.

Chairman RICHARDS. Go ahead.

Mr. JAVITS. We have all seen the International Development Advisory Board [Rockefeller] report, which makes a great many detailed recommendations as to this whole program that ECA is

proposing. Yet, it is very hard to trace in what is being requested for the coming fiscal year the impact it will have upon the ECA program.

Would it be useful to us, Mr. Foster, either in writing or at this time, if you would show us what effect, if any, this report has had on what you are now proposing; and, if it had no effect, why not?

Mr. FOSTER. Well, Mr. Javits, I can state that we were very closely in touch with that report while it was being written. We think that many of the suggestions have great usefulness.

If you would like us to submit some written comments as to how it would affect us if it were put into operation in that form, I should be very happy to submit them.

Mr. JAVITS. More than that, I would like you to submit any point where you have utilized the recommendations of the report, in what ECA is proposing to us this year, or, if you have rejected them and, if so, why?

Mr. FOSTER. I will be happy to submit that.

(The following information has been submitted for the record:)

PROBLEM OF CONSOLIDATION OF INTERNATIONAL BANK AND FUND

The International Bank for Reconstruction and Development and the International Monetary Fund were set up for two distinct purposes. The International Bank was established to make long-term loans for reconstruction and development. It has been carrying out this objective and should be encouraged to play a major role in international investment in the future. The Monetary Fund was established to deal with matters of foreign exchange policy and to aid in stabilizing exchange rates. As a matter of policy the United States Government has opposed substantial use of the fund's resources in recent years of serious structural imbalances in the payments positions of its members. The fund has, however, played an important role with respect to exchange rate policy and action and with respect to other related financial responsibilities.

A merger of the two institutions would not, in the opinion of ECA, be advantageous and might lead to changes sponsored by other members which would be detrimental to our interests. As far as the staffs of the two organizations are concerned, their separate identity is useful in carrying out operating responsibilities. As far as financial resources are concerned, there would be no obvious advantage to a merger and certain adverse developments might follow from such a merger.

Approximately \$2 billion of our subscription to the fund remains unutilized, partly as a result of the policy decisions of the United States Government. It is true that this money has been appropriated by the Congress and, if it were transferred for use by the International Bank, would represent an increase in dollar loan funds without additional appropriations by the Congress. The use of these dollar resources either through the fund or bank would represent an additional cash claim on the United States Treasury. The measure of the ultimate cost to the United States taxpayer is the net utilization of these resources without repayment.

The International Bank should be able to carry out an expanded program without difficulty. The bank now has loans outstanding of approximately \$1 billion in United States dollars. Dollar funds have been made available to the bank for lending purposes through the United States payment of 20 percent against its total subscription of \$3,175 million and through the sale by the bank of approximately \$300 million of bonds to private investors. The bank has had no trouble finding a market for these bonds and could presumably sell substantially more. It is of the utmost importance that the bank have funds available to carry out its responsibilities, but no problem of dollar availabilities appears to exist at the present time.

CONFORMITY OF MUTUAL SECURITY PROGRAM WITH THE REPORT OF THE INTERNATIONAL DEVELOPMENT ADVISORY BOARD (ROCKEFELLER REPORT)

The report of the International Development Advisory Board has been an important constructive influence in the formulation of the Mutual Security Program now before the committee, and this influence is reflected throughout the program submitted. Moreover, this influence will continue to be felt in the actual carrying out of the program during the course of the coming fiscal year.

The conclusions of the Board were at three major levels: (1) broad comments on the approach, objectives, and philosophy of United States Government programs in the underdeveloped areas of the world; (2) general recommendations on the financing, over-all organization, and content of United States programs in these areas; and (3) specific observations on matters of internal organization of aid agencies and procedures for implementing the program.

ECA's general approach to the problem is similar in many respects to the recommendations of the Board. For example, the Board reported its feeling that "strengthening the economies of the underdeveloped regions and an improvement of their living levels must be considered a vital part of our defense mobilization." This is exactly the approach reflected in the proposed Mutual Security Program for the areas involved.

The second type of recommendation was summarized by the Board in nine points. The specific status of each of these in relation to the present program is as follows:

1. *Appropriation of \$500 million in economic assistance to underdeveloped areas.*—Since the Mutual Security Program estimates include substantial sums for direct emergency relief purposes not contemplated by the Board, and do not provide for additional funds for public-works loans as recommended by the Board, the coverage of the two figures is not identical. However, the program submitted is on a somewhat smaller scale than the Board recommended.

2. *Creation of an over-all agency for foreign economic operations.*—This recommendation is under active consideration in the executive branch and is, of course, subject to determination by the Congress. ECA's views on this subject have been covered in earlier testimony.

3. *A realistic program for strengthening the economies of the underdeveloped areas and improving living standards.*—This is contemplated in the program submitted.

4. *An all-out food-production drive.*—Increase in food production is one of the major aspects of the program in the underdeveloped areas. The targets set by the Board are, of course, for longer-range development.

5. *A development program for strategic materials.*—Such a program is contemplated in the act under consideration and in the pending extension of the Defense Production Act. The executive branch is actively considering possible means of centralizing responsibility for this program within the Government and further intensification of the program.

6. *A policy for assuring the underdeveloped areas essential imports.*—A policy statement on this subject was issued by the Director of Defense Mobilization on May 25. This policy statement has been supplied to the committee in the course of testimony given by Mr. Foster.

7. *Creation of a new International Development Authority to help finance public works.*—In ECA's view the advantages of this proposal under present conditions are not sufficient to offset the difficulties and disadvantages of establishing a new international fund.

8. *Adoption of a general principle that assistance programs should provide for cooperative local services and financing.*—This approach is contemplated as a general principle in all of the recommended aid programs. In practice, United States funds will, in almost all cases, represent only a relatively small proportion of the total funds going into any particular type of activity. It must be recognized, however, that some of the governments of underdeveloped areas are in such a weak financial condition that their contributions cannot be on a very large scale.

9. *A program to increase United States private investments in foreign countries.*—It is contemplated that present guaranty and related programs will be continued and that every effort will be made to encourage and stimulate private investments and private enterprise. Because of the present state of military insecurity in

many of the underdeveloped areas, it is, of course, very difficult to attract private capital.

The third group of the recommendations of the Board on specific points of organization or procedures are under consideration in the executive branch in connection with pending organizational decisions.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. JAVITS. I will yield.

Chairman RICHARDS. This is open session.

Mr. ROOSEVELT. If I get the tenor of your request, it is to ask a Government agency whether this Presidential commission has foisted its program upon an existing Government agency.

I think it is the other way around. I think the Rockefeller report probably gained a great deal from the work and the experience of the existing Government agency.

Mr. JAVITS. May I answer that? The International Development Advisory Board was appointed pursuant to an act which we passed for technical cooperation, and Mr. Foster has been speaking constantly of technical cooperation and the development of raw materials with both of which the report deals.

This Board was created and made a report. Are we not entitled to know whether the findings of this high-level Board have had any effect whatever upon what the ECA is proposing to us this year, either pro or con?

That is all I am asking.

Mr. ROOSEVELT. I think you might reword it a little bit, whether the program that is being recommended this year in the estimation of the ECA jibes with the Rockefeller report.

Mr. JAVITS. That is fine.

Mr. ROOSEVELT. I do not want the ECA to tell Mr. Javits that at the request of Mr. Rockefeller's committee we have taken on this and this and this. I think probably the Rockefeller report had genesis in the ECA.

Mr. JAVITS. You have phrased it before exactly as I had it in mind.

Mr. ROOSEVELT. Perhaps it is a matter of fact.

Chairman RICHARDS. Mr. Foster, before the public phase of this hearing is closed, I want to ask you if you will do this: Put a statement in the record of the different steps that the European nations have taken in the field of economic unification and cooperation.

There has been a lot of talk about improved European cooperation. I would like to have in the record for the benefit of Congress itself a list of the things they have done that you think have been helpful.

Mr. FOSTER. We will be happy to do that.

(The following information has been submitted for the record:)

EUROPEAN ECONOMIC COOPERATION AND UNIFICATION

The countries of western Europe have in the last few years taken a number of highly significant steps in the direction of cooperation and unification in the economic field. Some of the principal steps are:

1. *European Payments Union.*—The European Payments Union is a substantial step toward unification in the field of international payments. The European Payments Union makes European currencies transferable so that the funds which a country earns by exporting to one of its neighbors can be used to purchase imports in any of the other member countries. The European Payments Union also provides for substantial amounts of mutual aid since creditor countries automatically extend credits to the European Payments Union while debtor countries borrow from it. The managing board of the European Payments

Union has played an increasingly active role in reviewing the payments positions of the member countries. It has made recommendations to member governments in some cases of a far-reaching character, and these recommendations have had great weight with the governments of the member countries concerned.

2. *Trade liberalization.*—The members of OEEC have undertaken as an eventual goal to remove quota restrictions which at the outset of the European recovery program applied to almost all of their imports from each other. About three-quarters of the trade within western Europe is now free of such restrictions.

3. *The Schuman plan.*—Six western European countries have signed the Schuman plan which calls for a pooling of their coal and steel resources, the establishment of a single market free of tariff or other trade restrictions on coal and steel products within the six countries, and the establishment of a supranational high authority to maintain and regulate the single market. The Schuman Plan Treaty was signed in Paris on April 18, 1951. It has not yet been ratified.

4. *Other OEEC activities.*—Eighteen western European countries have signed the Convention for European Economic Cooperation which pledged them to cooperate in a common recovery program and establish the Organization for European Economic Cooperation. In the OEEC, in addition to the European Payments Union and the trade-liberalization program, they have engaged in a variety of cooperative activities among which the following are particularly significant:

(a) OEEC conducts a searching annual review of the internal financial situation in each member country. Thus through the Organization, member countries can make common cause in resisting inflationary and deflationary tendencies. This "harmonization" of their policies furnishes the fundamental basis which makes possible balanced progress toward progressive relaxation of exchange and other commercial restrictions within Europe.

(b) Through OEEC action the discriminatory practice of dual pricing on commodities in intra-European trade has been very much reduced.

(c) OEEC has prevented any reintroduction of demands by European sellers for dollar payment on goods supplied to European purchasers despite the renewed scarcity of many of the many classes of export goods.

(d) OEEC has undertaken to prevent the export restrictions which sprang up in Europe after the Korean crisis from being applied in such a way as to interfere with the continued meeting of essential requirements in other countries for the commodities subject to restriction.

(e) The OEEC has collected full information, in the case of commodities which have become scarce since Korea, on the problems and the measures of control in each of the member countries. On this basis the OEEC, through its representatives to the International Materials Conference, is able to give a coordinated account of the actual situation in Europe, and the views of the Organization on the possibilities of useful joint action. It has also been recommending to the European governments the periodic allocations of coal which would best meet, so far as available supplies permit, the most urgent needs in Europe.

Mr. JUDD. I have one short question for the record. On page 3 of your statement you say that the productive capacity of Western Europe, including their basic resources, is roughly $1\frac{1}{2}$ times that of Russia and her European Communist satellite states.

Can you give us an estimate of how much of the productive capacity in each case is devoted to defense measures?

Mr. FOSTER. I think we can, sir. I will have to submit that for the record.

(The information referred to appears in the appendix.)

Mr. JUDD. Western Europe may have $1\frac{1}{2}$ times; but, if it is putting in only half as much of its production for defense, we are not ahead; we are behind.

Mr. FOSTER. I think I have talked here in the terms of potential. Of course, the Russian statistics are not very good. They devoted a substantially higher percentage of their resources to defense than did either Western Europe or ourselves.

Chairman RICHARDS. This will end the public session. Most of the members know that Mr. Dulles will be here at 4 o'clock. He has to leave at 5. We have only 20 minutes for executive hearings.

Mr. VORYS. Are we off the record?

Chairman RICHARDS. We are in executive session.

(Whereupon, at 3:40 p. m., the committee went into executive session.)

(The following was submitted for the record:)

THE SECRETARY OF DEFENSE,
Washington, July 12, 1951.

HON. JAMES P. RICHARDS,
*Chairman, Committee on Foreign Affairs,
House of Representatives.*

DEAR MR. RICHARDS: As you will recall, when I was testifying on July 2, 1951, before the Committee on Foreign Affairs, Mr. Reece, at your suggestion, furnished me with a list of questions which he had prepared for answers in executive session. I direct your attention to page 262 of the stenographic transcript of the hearings.

Information in response to Mr. Reece's first question with respect to the proposed armed-service budget has already been furnished to you. In response to Mr. Reece's question concerning the portion of the economy of our allies which is going for defense purposes, I am enclosing a copy of a chart previously furnished to the committee staff which gives such information for each NATO country.

The Joint Chiefs of Staff have examined the questions that are within their purview, and it appears that the most effective means of answering these questions would be for the Chairman of the Joint Chiefs of Staff to cover such matters in executive session. General Bradley is prepared to furnish the committee, in an off-the-record executive session, a comprehensive résumé of our long-range plans which should fully answer those of Mr. Reece's questions which are military in nature.

As several of the questions are within the purview of the Department of State, Assistant Secretary of State George W. Perkins advises me that he will cover such matters when he appears before the committee to testify on behalf of title I of the bill.

If I can be of any further service to you or your committee, please do not hesitate to call on me.

Faithfully yours,

G. C. MARSHALL.

Defense expenditures and gross national product

[Millions of dollars. Prewar in 1930-51 prices; post war in current prices]

Country	Fiscal year begins	Expenditures and gross national product in country's own fiscal year					
		1938			1949		
		Defense expenditures	Gross national product	Percent	Defense expenditures	Gross national product	Percent
Belgium-Luxemburg.....	Jan. 1	165	6,316	2.6	159	6,368	2.5
Denmark.....	Apr. 1	24	2,619	0.9	43	2,806	1.5
France.....	Jan. 1	1,066	23,201	4.6	1,356	22,794	5.9
Italy.....	July 1	794	13,285	6.0	475	13,919	3.4
Netherlands.....	Jan. 1	69	4,034	1.5	185	4,656	4.0
Norway.....	July 1	16	1,490	1.1	49	1,698	2.9
Portugal.....	Jan. 1	40	1,873	2.1	47	1,934	1.4
United Kingdom.....	Apr. 1	2,136	32,668	6.5	2,062	36,197	5.6
Europe total.....		4,932	85,461	5.8	4,426	90,202	4.9
Canada.....	Apr. 1	60	9,096	0.7	360	5,331	2.4
United States.....	July 1	2,111	171,800	1.2	13,200	261,304	5.1

Country	Fiscal year begins	Expenditures and gross national product in country's own fiscal year					
		1950			1951		
		Defense expenditures	Gross national product	Percent	Defense expenditures	Gross national product	Percent
Belgium-Luxemburg.....	Jan. 1	174	6,595	2.6	280	6,877	4.1
Denmark.....	Apr. 1	43	3,151	1.5	94	3,500	2.7
France.....	Jan. 1	1,801	25,954	6.9	2,614	28,169	9.3
Italy.....	July 1	640	15,200	4.2	915	16,016	5.7
Netherlands.....	Jan. 1	235	5,125	4.6	368	5,765	6.4
Norway.....	July 1	64	1,994	3.2	97	2,064	4.7
Portugal.....	Jan. 1	46	2,003	2.3	48	2,073	2.3
United Kingdom.....	Apr. 1	2,175	27,965	5.7	3,565	40,335	8.6
Europe total.....		5,183	98,007	5.3	7,981	104,802	7.6
Canada.....	Apr. 1	724	16,564	4.4	1,858	18,726	8.3
United States.....	July 1	22,200	303,800	7.5	46,600	330,000	14.1

Comparative capacity to bear defense cost: Europe and United States

[United States fiscal year 1951-52 data]

Total gross national product:	
European NATO.....	\$104,802,000,000
United States.....	\$330,000,000,000
Per capita gross national product:	
European NATO.....	\$597
United States.....	\$2,143
Percent of gross national product spent on defense:	
European NATO.....	7.6
United States.....	14.1
Per capita gross national product remaining after 1951 defense expenditures:	
European NATO.....	\$552
United States.....	\$1,840

Taxation

(United States fiscal year 1951-52 data)

Estimates of total taxation from all levels of Government as a percent of gross national prod- uct:		Estimates of total taxation from all levels of Government as a percent of gross national prod- uct—Continued	
	<i>Percent</i>		<i>Percent</i>
Belgium.....	10. 0	Norway.....	31. 8
Denmark.....	18. 8	Portugal.....	11. 4
France.....	27. 3	United Kingdom.....	33. 7
Italy.....	24. 0	United States ¹	20. 2
Netherlands.....	28. 4		

¹ United States figure includes proposed tax increase.

THE MUTUAL SECURITY PROGRAM

THURSDAY, JULY 12, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., the Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we have as our next witness in these hearings Mr. Thomas D. Cabot, Director of International Security Affairs, Department of State.

Mr. Cabot, do you have a prepared statement?

STATEMENT OF THOMAS D. CABOT, DIRECTOR, INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF STATE

Mr. CABOT. Yes, Mr. Chairman; I have a statement here which is rather long. I think all members of the committee have copies of it.

I would like to suggest that the first part of it, inasmuch as it deals with rather technical matters, we could skip and read the second part.

If anybody wants to hear all of it, I will be glad to read that.

Chairman RICHARDS. Let us get the opinion of the committee on that. We have time. Mr. Cabot said his statement was necessarily long on account of the discussion of the organization. It may be better to have the whole statement read. It will be placed in the record, anyway.

What does the committee say?

Mrs. BOLTON. Where does the second part begin, on page 14?

Mr. CABOT. Yes. The first part deals with the changes from the present legislation that are in the new Mutual Security Program, the changes in the law. The second part deals with organization and administration.

Chairman RICHARDS. Mr. Cabot, how long will it take to read that statement?

Mr. CABOT. It would take, the whole of it, I would estimate about 25 minutes.

Chairman RICHARDS. I think we had better have the whole statement. What does the committee say?

Mr. MANSFIELD. I think so, Mr. Chairman.

Mr. SMITH. We go in at 11 o'clock.

Chairman RICHARDS. We meet at 11. Mr. Cabot will probably have to come back, anyway. We have permission to sit until we are called down there. Let us go as far as we can go with the whole statement.

Mr. Cabot, before we go into that, will you tell the committee, please, what your job and your functions are?

Mr. EATON. If any.

Mr. CABOT. I am Director of International Security Affairs. I have been here only a short time, 6 months. I am a businessman, really, or was. I resigned from my business connections when I was confirmed by the Senate.

Mr. BATTLE. Is your old job still open?

Mr. CABOT. I think I might return to my previous occupation, yes, sir.

Mr. HERTER. I think Mr. Cabot ought to tell us what his business connections are. He is a constituent of mine.

Chairman RICHARDS. Can you say a good word for him in any other respect?

Mr. HERTER. I certainly can, and I would be glad to.

Chairman RICHARDS. Mr. Cabot, we are talking on light lines, but we do like to know the background of a man who has come into the Government.

We know that you did not need a job, did not seek this job, but we would like to have you tell us your business and administrative background.

Mr. CABOT. My whole business life has been as a manufacturer of carbon black, with plants mostly in the southwestern part of the United States—Texas, Oklahoma, New Mexico, and Louisiana.

I also have served as a director of the United Fruit Co. and 1 year as president of the United Fruit Co. Thus I have been familiar with big business as well as moderately small business.

I have been in Government now only 6 months. I came here because some of the organizational experts had suggested that the complexities of coordinating our Mutual Security Program, our oversea-aid program, required the skills of a businessman.

That is due perhaps to the fact that it is an interdepartmental operation. It has three parts—the political, the military, and the economic. You have a three-legged stool, you might say, and I am located as the seat.

I am the coordinator of the three parts of the program—the economic, the military, and the political. My statement deals with the need for coordination. I do not think I need to summarize that now.

Mr. EATON. Do you think you have passed the need and accomplished any coordination?

Mr. CABOT. Yes, sir. I think I can point with some pride to what we have been able to do in terms of coordination.

We have a committee, the International Security Affairs Committee, which deals with these problems of military and economic aid and the coordination between them.

That committee has so far been able to resolve practically all of the problems that have been presented to it. None of the problems have had to be referred to the President. One or two have been handled outside of the committee at Cabinet level.

Chairman RICHARDS. Thank you. Will you proceed with your statement, sir.

Mr. CABOT. Shall I read the whole of it, Mr. Chairman?

Chairman RICHARDS. I believe we would like to have you read the whole statement.

Mr. CABOT. Previous witnesses have described the role which the Mutual Security Program is intended to play in furthering foreign policy objectives. Subsequent witnesses will discuss the problems of the four major geographic areas of the world and will demonstrate the specific ways in which the assistance proposed for each is adapted to make use of available resources in meeting these problems.

I shall attempt to summarize and explain the full scope of our legislative proposals; and to describe the organizational and administrative techniques through which we propose to carry out the entire undertaking.

I should like first to present a summary of our legislative proposals.

We recommend that, in authorizing the program, you make the maximum possible use of the authority which is contained in those existing foreign-aid laws that have already stood the practical tests of experience.

Therefore, in lieu of drafting an entirely new statute, we suggest that it would be wise to continue to employ the Mutual Defense Assistance Act, the Economic Cooperation Act, the Act for International Development, and other pertinent laws, amending them to the extent necessary in order to adapt them to changed circumstances and to weld them firmly together into a single legislative framework.

We propose that Congress, by amending prior legislation and writing appropriate new provisions, deal with a series of substantive problems for which existing authority provides no adequate solution.

The entire program has the primary purpose of providing resources which other free nations do not have and which they require in order to resist Soviet imperialism. The kinds and amounts of resources required differ markedly from region to region, and from country to country. Such differences merely reflect variations in the form of the threat and in the capabilities of different peoples, with different resources and skills, to meet the threat which imperils them.

In some nations the fundamental need is immediate military strength; in others, the kind of social, political, and economic stability that will make their societies less open to Communist subversion; and, in the majority, some combination of all of these.

The situation in a particular country may therefore require one or more of the following: finished military equipment which can be immediately used by its forces; commodities which are necessary to sustain its underlying economy; raw materials or machinery which are essential to maximize local military production; technical assistance to increase industrial productivity, or, as in the underdeveloped areas, to open horizons for new and improved social, health, and economic conditions; relief supplies to meet immediate and crucial emergency conditions such as those which have existed among the Palestinian refugees and which are to be expected in Korea; training in modern military techniques and weapons; or food, clothing, and fuel to support military forces which are necessarily larger than those which the local economy can possibly maintain without outside help.

It is obvious that, in any country where two or more different forms of resources are required, it would be folly to make judgments with respect to one form of aid without reference to the others and without seeking that combination of all forms of aid which will best support our objectives in that country.

For another thing, it must also be clear, given a country's requirements and its maximum capabilities in terms of materials, facilities, and manpower, that failure to provide resources in one form frequently merely increases, sometimes very disproportionately, the amount of resources that must be provided in another form.

For example, a reduction in the economic aid proposed for Europe would necessitate over the long term a substantial increase in the military-equipment program, an increase which might greatly exceed the amount of the reduction.

Conversely, a significant cut-back in the military-equipment program would require a step-up in the economic program. The real task, therefore, is to strike a proper balance between the two so that for a specific amount of total assistance, we achieve the largest increment in total European strength.

This cannot be done if we separate each form of aid into separate isolated compartments. Our objective everywhere should be to capitalize, by a careful selection of types of aid and techniques, on the particular capabilities of a country with the minimum net demand on our own wealth.

It is essential, in selecting the forms of aid to be provided, and in the allocation of different types of resources between United States requirements and competing foreign claimants, that we undertake these tasks against the background of world-wide plans and through machinery which assures that the available quantities of each type of resource will be employed so as to produce the largest possible increment in the security of the free world.

These things will be difficult to do under any circumstances, and they will patently be impossible of accomplishment if we treat this program as a series of unrelated and separately administered undertakings, each devoted to providing one particular type of resource for only one segment of our total objective.

Our efforts to create military strength in critical foreign areas, and particularly in the North Atlantic Treaty area, are part and parcel of our own national security program.

This relationship is also close in the case of other forms of aid because we are dealing with personnel, materials, and equipment for which combined foreign and domestic demands exceed availabilities.

Consequently, sound judgments as to those domestic and foreign programs which should be emphasized presuppose a broad examination of our total security requirements rather than the kind of disjointed and parochial approach which is inevitable if each foreign-aid project is considered in isolation.

A final advantage of the single program is the opportunity which it affords to the executive branch, to the Congress, and to the American public to gain a clear appreciation of the full scope of our foreign-aid activities.

A major question concerns the extent to which we should rely upon existing legislative authority. The preparation of wholly new legislation is a long and complicated affair in which it is difficult, in spite of the most able and meticulous draftsmanship, to deal with all the problems which require treatment, or to do so in a way that will obviate the subsequent development of major issues of interpretation.

Consequently, if we can, by simple amendments, use existing laws for the Mutual Security Program, such a course would have many advantages. Their scope and meaning are clear and understood by all concerned; they have, in general, met the test of experience; and a large number of people in this country and abroad are familiar with the procedures which have been developed for their administration.

Moreover, perhaps 50 rather elaborate international agreements have been negotiated under the authority of these laws and have proved to be satisfactory instruments for our dealings with other countries.

I believe that a partial inventory at this point of the legislative amendments which we propose will provide a useful background during the remainder of these hearings. They fall into three principal classes:

(1) those which give concrete recognition to the fact that the Mutual Security Program is a single program with several interdependent and mutually supporting elements; (2) those which increase the geographic coverage of the Mutual Defense Assistance Act, the Economic Cooperation Act, or the Act for International Development; and (3) those which amend provisions in the foregoing laws which are not entirely adequate to meet a number of current problems.

We have prepared a new statement of purposes which embraces the total objectives of the Mutual Security Program and which modifies, to the extent that they are inconsistent with the objectives of the MSP, the purposes originally set forth in the Mutual Defense Assistance Act, the Economic Cooperation Act and the Act for International Development.

The new statement emphasizes the primary need for strengthening the collective defenses of the free world and the importance of developing the resources of the free countries both as a foundation for military strength and in order to increase their ability to resist internal aggression. It recognizes that, in Europe, economic recovery need no longer be given a priority over efforts to increase military strength.

The new legislation should also recognize that no one can foretell the exact course of events during the next 12 months and that the pattern of assistance which we are presently proposing may therefore need to be somewhat modified if it is to be responsive to changing requirements.

Consequently, there should be authority to utilize a small portion of the funds which may be authorized for a particular type of assistance in one geographic area for the purpose of increasing the amount of the same form of assistance in some other part of the world.

In the fluid state of current affairs, new emergencies may develop, and we must be in a position to respond to them quickly and forcefully.

Experience with the Mutual Defense Assistance Act has already demonstrated the importance of this type of flexibility. Specifically, we suggest that not to exceed 10 percent of the amount made available by Congress for a specific form of assistance in any one region should be available to provide the same form of assistance in other regions.

In Europe, where the interrelationship of military and economic aid is close, we recommend that a limited portion of the amount appropriated for economic assistance should be available to augment the amount appropriated for military assistance, and vice versa.

We should be in a position, if the opportunity presents itself, to capitalize to the maximum on European capabilities for raising forces and producing munitions, even though this requires the utilization of some of the funds which are presently intended for military end items. If an additional dollar of United States economic assistance will result in European military production of a value several times such amount, its use in this fashion certainly represents a better investment than its use for the procurement of military equipment in this country.

Several other changes are also needed in order fully to integrate existing laws into the concept of a single program. Some of these have to do with the use which may be made of local currencies received as an incident to the operation of any present foreign aid legislation.

We propose, for example, that any local currencies, regardless of the particular act under which they are generated, may be utilized to further the program as a whole. We also believe that Congress should explicitly authorize the use of counterpart to support the European rearmament effort.

Finally, in recognition of the fact that we are here dealing with a single, unified program, we recommend that the separate reporting requirements in each of the present foreign-aid laws be replaced by authority to file periodically under one cover reports concerning all of these operations.

The second class of problems to which legislative attention should be given derive from the need to extend certain types of aid to new areas or countries. Since these needs have been adverted to by previous witnesses and will be described in detail by those who will follow, I will simply list the more important of them.

They are: (1) Authority, upon a finding by the President that certain conditions affecting our security exist, to extend assistance to free countries of Europe even though they are not members of the North Atlantic Treaty or of the Organization for European Economic Cooperation;

This would, among other things, permit the provision of economic assistance to Yugoslavia. It would also, should this become important to the defense of the North Atlantic area, permit us to furnish military aid to a number of non-NATO countries with somewhat greater facility than is possible at present;

(2) Authority, again after a determination by the President that such action is important to the security of the United States, to employ 10 percent of the amount made available for military assistance to Greece, Turkey, and Iran, for the provision of this form of assistance to other nations in the near East;

We must have the ability to move rapidly in this crucial area if a situation arises in which military aid will further the cause of the free world;

(3) Authority to furnish a limited quantity of military assistance to other American Republics when assistance of this character will further the performance by them of specific missions which are important to the defense of the Western Hemisphere;

(4) Authority to make contributions to the United Nations Korean Reconstruction Agency, the organization through which the difficult task of rebuilding the economy of that war-ravaged country will be undertaken; and

(5) Continued authority to contribute a limited portion of the amount made available for economic assistance for the support of technical assistance programs to be carried out through the United Nations and the Organization of American States.

The third class of problems requiring some form of legislative action arises from the inadequacy of certain provisions in existing foreign-aid statutes.

In the first place, we have reached the point where we should raise the present limitation, contained in the amended Mutual Defense Assistance Act, on the value of excess materials which may be transferred as grant assistance without charge to military assistance appropriations. The present limitation, based, as it was, on the availability of excess equipment in relation to requirements as of some 12 months ago, is no longer realistic.

A somewhat comparable problem has arisen in the administration of the reimbursable aid provisions of the Mutual Defense Assistance Act. The present law permits the United States Government to place military procurement contracts on behalf of other governments, but limits the unliquidated value of such contracts which may be outstanding at any one time to \$100,000,000. Inasmuch as the Canadian Government, which is paying cash for all the equipment which it must obtain in the United States, while at the same time making substantial grants of military equipment to other NATO forces, has requirements which are three or four times in excess of this sum, this limit should be raised. We propose that it be fixed at \$500,000,000.

The present reimbursable aid provisions have also confronted us with another problem which was not foreseen when they were rewritten in the summer of 1950. At that time, the original law was amended so as to permit reimbursable assistance to any nation which is not eligible to join established collective defense arrangements but whose ability to defend itself, or to participate in the defense of the area of which it is a part, is important to the security of the United States.

In the case of any such nation, the transfer of equipment must be preceded by adequate assurances that the equipment is required for, and will be used solely to maintain, its internal security or legitimate self-defense, or in order to permit its participation in area defense. These safeguards were, and remain, important. However, they overlooked the possibility that certain nations would need to purchase United States equipment in order to participate in collective United Nations actions. They have thus sometimes prevented the use of this form of reimbursable aid to furnish supplies required by foreign units under the United Nations command in Korea. We believe the reimbursable aid provisions should be amended so that we can meet this type of situation in the future.

Another important problem which should be dealt with in the new legislation is that of acquiring local currency which is necessary to carry out foreign-assistance programs in the Middle East, south Asia, and the Far East, or which is needed to provide the local currency expenses of increasing the foreign production and availability of materials in which the United States is deficient. This complicated problem will be fully covered by subsequent ECA witnesses.

There are also a number of problems of a primarily technical nature which deserve congressional attention. One results from the

fact that the North Atlantic Treaty Organization has certain expenses toward which each of the participating governments must contribute. These include the expenses of SHAPE, the Council of Deputies, the Defense Production Board, and other agencies of the treaty. While the present Mutual Defense Assistance Act unquestionably provides the authority for United States contributions for this purpose, it seems desirable to make this authority more explicit.

Another problem relates to the transfer of patents and know-how which are frequently essential to the initiation of military production abroad. Still other problems concern the hiring, security clearance, and compensation of personnel who are needed to administer the program.

The requests, as submitted to you, represent the culmination of nearly a year's concerted work in the executive branch. This work has included: Determinations as to requirements; the screening of requirements against availabilities; a series of judgments concerning the relative importance of various regions and countries; and the development of illustrative programs of assistance. The product reflects the best judgment of all agencies concerned with respect to the amounts and types of aid which should be furnished. I should stress, however, that the aid proposed will not fill requirements because these requirements exceed the resources which we can presently make available to meet them. Consequently, we have done all the pruning that seemed possible without destroying essential activities.

I want to reemphasize that those of us who have developed this program do not claim omniscience. We are certain that our experience in tackling specific problems and the occurrence of events which we cannot now foresee will necessitate some variations in our present, illustrative programs. It is this factor of future uncertainty which underlines the need for some flexibility in transferring funds among areas and, in certain instances, between economic and military assistance.

It should be noted that the expenses of administering the entire program, including expenses incident to United States participation in international security organizations and expenses of domestic programs under the act for international development, would, under our proposals, be taken out of the sums which we have proposed for the European area.

All funds for economic assistance in the European area, including assistance to further European military production, is included in the \$1,675,000,000 which we propose should be administered under the provisions of the Economic Cooperation Act. I point this out because, in the past, funds for increasing munitions production abroad were authorized and administered under the Mutual Defense Assistance Act. Subsequent witnesses will explain the reasons for, and the consequences of, this change in approach.

Finally, I want to stress that it is absolutely vital that unexpended balances of prior appropriations should continue to be available. These balances have already been fully programed, and are in varying stages of use. The programs which we are now proposing fit onto, and assume the completion of, the projects and activities for which these balances have long since been earmarked. Failure to provide this carry-over would simply necessitate an increase in our present request by the estimated amount of these unexpended sums.

II. ORGANIZATION OF THE PROGRAM

I turn now to the general question of organization, and I wish I could offer you an easy, uncomplicated answer. On the contrary, I am forced to admit that in my many years of business experience I have never encountered an inherently more difficult problem. There is no simple answer because the conduct of foreign aid, no matter how you view it, is intrinsically complex.

The problem is how to use the administrative resources of the United States Government to achieve at minimum cost the security which is the over-all objective of our whole foreign policy. To get a maximum increase in our own security from the money spent under this program will require many skills and much wisdom.

This is a matter which has aroused wide public interest. A number of important studies have been made and thoughtful proposals advanced. I shall try to make clear what we propose and why we think the plan we are recommending is better than the alternative proposals. No doubt some of the alternatives would be workable, but our proposal has the advantages that it is proven by experience and that it is based on a logical analysis of the factors involved.

Briefly, the plan of organization proposed to administer this program is as follows:

First. The administration of each form of aid will be the responsibility of an operating agency especially equipped for and experienced in that particular activity. For military aid, this will be the Department of Defense. For economic aid to support a defense effort, it will be the Economic Cooperation Administration. For aid in underdeveloped areas, to countries where the economic program consists primarily of technical cooperation and where the capital for essential economic development can be supplied without substantial United States grants it will be the Technical Cooperation Administration in the Department of State. For those underdeveloped areas where the United States program is primarily grant aid to finance needed capital development, ECA will administer the program.

Second. The Secretary of State will be responsible for providing leadership and coordination to the program to make sure that its different forms are mutually supporting and are coordinated with other foreign policies and programs.

Third. An Interagency committee, the International Security Affairs Committee, of which I am presently chairman, will serve as a forum in which a balanced governmental judgment will be arrived at to guide the activities of the operating agencies.

Fourth. Each operating agency will operate in the field with its own personnel or missions, who will work in close unity under the general guidance of the Ambassador in each country to assure that we speak with a single voice abroad.

Fifth. Certain programs will be administered by special international agencies of the United Nations and other international organizations rather than by agencies of this Government.

The basic premise in developing our organization, as you can see, is that we should use existing facilities and experience. The plan follows that now in effect which dates from December 19, 1950, when a memorandum approved by the President established my office.

Past experience has certainly demonstrated that the actual operation of either military or economic aid—the mechanics of laying out a detailed program, of procurement or the financing of procurement, and the follow-up on the use made of the aid—is a specialized job that requires a specially equipped operating agency which can give full attention to it.

Determination of arms needs is a military determination and must be done by military men. Arms procurement and military training are also jobs for military men and should be the primary responsibility of the Department of Defense, as they have been under previous military aid programs.

Similarly, the ECA has done a very commendable job in carrying out the Marshall plan. It has an effective team trained in economic and production problems and has a great fund of information on European production and capacities. To lose or impair the usefulness of this team would set back the effectiveness of the economic aid portion of the mutual security program by many months.

The basic problem of organization is how to tie together military aid and economic aid so that they will complement each other in operation and give most effective support to our total foreign policy. The primary objective of military aid is to arm and train the forces of friendly nations. Military aid has been the responsibility of the Departments of Defense and State. The primary objective of economic aid has been to promote economic recovery and economic development. The greatest part of our economic assistance has been administered by ECA. Now most economic aid for Europe will be directed toward the objective of increased military production, and to help sustain economies strained by stepped-up defense effort.

Increased European military production is of great importance to the American taxpayer. This increase is unlikely if we do not enforce the policy of eliminating from arms aid those items which can, within a reasonable time and at reasonable cost, be produced in the recipient country. No country is likely to go to the trouble and expense of producing what it can get from us free of charge. Therefore, when the arms requirements of a country have been determined, they are screened so we will not furnish items which should be produced either in the recipient country or a neighboring country. When necessary, economic aid is adjusted to help the recipient carry the added burden of producing, or buying from its neighbor, items screened from the military aid program.

It is evident that we cannot carry out this policy and get countries to build up their own production unless the arms and economic aid programs are coordinated. The logical place for coordination responsibility is in the Department of State, where the two programs meet and where each must of necessity be coordinated with the over-all foreign policy of the Government.

The position of our ambassadors and their relations with the Secretary of State require that we have a coordinating responsibility for aid if the Ambassador is in fact to have a primary role in the relations with the country to which he is accredited.

The need for either military aid or economic aid depends on the part a country is expected to play in the mutual security plans, the size of the forces it should maintain, the mission of these forces and the political and economic factors which condition its efforts. Judgment

cannot be made solely on military or on economic or on political grounds. It must embrace all of these. It must be a composite judgment to which the Defense Department, the State Department and the ECA all contribute.

Foreign aid must also be judged in relation to other instruments of our foreign policy. All aid can be useful in determining the courses recipient governments will take toward mutual security, including larger defense budgets, forces and production. The United States does take into account the willingness of other governments to make their own contributions to mutual defense.

These contributions take many forms in the economic, political and military field—not all directly related to the mutual aid program. We must use our total effort, including our aid programs, effectively and avoid exhausting it on objectives of low priority. To do this, our negotiations must be coordinated so that all aspects of our relations with the recipient country harmonize with and contribute to our general foreign policy objectives, particularly in the international security field. Often our aid programs are in large part designed to supply the United States contribution to the collective security effort, the nature of which is determined through multilateral negotiations in NATO or some other international body.

Although the total of aid is used for the total of our objectives, one cannot first determine the total and then divide it between military and economic aid, for economic and military aid needs are determined by entirely different processes and have different significance. Primarily, the process of determining military aid is to determine what arms are needed for the forces committed to our mutual security and when these arms will be needed. The timing of appropriation and obligation of funds for arms is different from the timing of deliveries of arms. This is due to variable time between placing the order and getting delivery of items of varying complexity. It is thus not feasible to allocate arms aid at the time of obligation in the same manner as with economic aid.

Military aid and economic aid have a quite different significance per dollar. In fact, we have not told recipients the dollar value of military aid. Some items from surplus are valued at a small fraction of the cost of similar items from new procurement. To bargain with military aid on a dollar basis would jeopardize our whole security program. We cannot afford to deny weapons to forces which desperately need those weapons. To do so would sacrifice our own security.

Military aid and economic aid must be considered separately but related each to the other. A composite judgment is necessary to get maximum effectiveness in support of national policy. Although the Department of State will be charged with the responsibility for coordination of aid under the proposed Mutual Security Program, this does not imply direct control. It is expected that aid will be coordinated through the International Security Affairs Committee, on which the three agencies—Defense, State, and ECA—will be represented (also, Treasury and Mr. Harriman's office).

Agreement in this committee must be unanimous. Failing agreement, matters can be referred to the Cabinet level, or to the President. Actually, experience of the last 4 months has shown a remarkable degree of unanimity in the committee. The committee has, in

fact, been able to resolve its problems without reference to the President.

A relatively small but quite important element of the Mutual Security Program is economic and technical aid to the underdeveloped areas. The purpose of this part of the program is to build strength in those areas by helping the peoples to make progress toward a more stable and productive society. This is as truly a phase of mutual security as military aid or economic aid to support a defense effort.

This activity requires an organization which can furnish technical advice and assistance in dealing with the problems of farm and village life predominant in those areas. We have such an organization created especially for this purpose in the Technical Cooperation Administration which has been set up to administer the point 4 program. ECA missions in the Far East are carrying on programs with essentially the same purpose. The distinguishing feature between these two phases arises from the varying ability of the countries concerned to supply capital for economic development.

In some areas development capital is available from local sources, from outside private investment, or from public lending institutions, such as the Export-Import Bank and the International Bank. In those countries the form of organization required is one which can lay out jointly with the country authorities an effective economic development program and can then supply the essential ingredient of technical know-how. In other countries an organization is required which is able to administer supply and construction activities on a considerable scale in addition to the foregoing. As a general rule, TCA will administer the underdeveloped areas program in the former countries and the ECA in all other countries.

It has been suggested by some who have studied foreign aid that our program should be administered by a single agency. This sounds attractive. We all know that a single authority is usually the best way to get things done. However, we must bear in mind that a major part of this program involves three elements, three skills and three responsibilities—military, economic and political—which are presently in three different departments of the Government. If authority were vested in a single agency, it would still be necessary to coordinate the three elements. It is hardly conceivable that the program could be run without coordinating it with the work of the Departments of Defense and of State and with the ECA; and the Treasury Department must concern itself with the effect of the program on finances. However we organize, it would be necessary to coordinate the work with several agencies besides that responsible for operations. A coordinating committee would exist, in fact, whether formalized or not.

At the start of the Mutual Defense Assistance Program in 1949, it was recognized that military and economic aid were a means toward our foreign policy objectives, and Congress established the central responsibility in the President, who designated the Secretary of State to coordinate and give central leadership. The close relationship of our aid to our participation with other nations in the North Atlantic Treaty Organization and in other collective security arrangements was obvious. Now that NATO has become established with its Council of Deputies in permanent session under the chairmanship of Ambassador Spofford and with permanent boards concerned with economic, military, and production problems, it has become necessary to coordinate

our participation in these activities which are the concern of several departments of our Government. These activities are, of course, closely related to our aid programs. In Europe, the United States representatives have also needed coordination and the European Coordinating Committee (ECC) has been established.

In order to show you the relationship of these various United States committees and of the NATO bodies with which they deal, we have prepared some charts, and with your indulgence, I beg leave to show them to you.

I am sorry, Mr. Chairman. They are behind your head. May I refer to these charts now, and you will have to turn around, I am afraid.

Chairman RICHARDS. Yes, sir.

Mr. CABOT. The first chart shows the present organization of the NATO. I do not want to imply that this is necessarily the final organization. There have been several recent changes since I came to Washington, but I might go through this with you.

At the top we have the Council itself, which sits either as the Foreign Ministers or Defense Ministers, or other ministers, as appropriate. That Council, as you know, is not in permanent session. It has ordinarily met several times a year, but has not yet met in this calendar year. We have hopes that we can have a meeting in the next few months.

In permanent session under the Council is the Council of Deputies, and it is under the Council of Deputies that most of the problems on which we need international agreement are now handled. Ambassador Spofford is the American representative on the Council of Deputies and its chairman.

Under the Council of Deputies we have a number of permanent committees. I will take them in this order:

First, the Defense Production Board, of which Mr. Batt is the American member. Under this Defense Production Board there is a staff of people who serve in an international rather than a United States capacity. The head of that staff is Mr. Herod, former president of the International General Electric Co., a businessman with great skill in the field of production. The staff is recruited from the member nations.

The Military Committee, which is, of course, of great importance, consists of the 12 Chiefs of Staff of the 12 members of NATO. It obviously can only meet very infrequently. In permanent session, however, here in Washington in the Pentagon, is a standing group which is a sort of Executive Committee of the Military Committee. That standing group represents the United States, the United Kingdom, and France. The nominal members are the Chiefs of Staff of those three countries. Actually, it meets, however, as the Deputy Chiefs of Staff, namely, Vice Admiral Wright, of the United States; Air Chief Marshal Elliott, of the United Kingdom; and Lieutenant General Ely, of France.

I might in passing point out that this is the top military body in permanent session and is the source from which General Eisenhower and SHAPE in Europe get direction. It gives military advice to the Council of Deputies, which is also in permanent session, and gets in turn political advice from the Council of Deputies.

There is also here in Washington the Military Representatives Committee, through which eight of the other nine governments in NATO take part in this military planning.

In Paris NATO has a Financial and Economic Board, which has recently been set up. It is only now getting organized under a French chairman, and Ambassador Wood is United States representative.

Mr. VORYS. Would you stop there and tell us what that Financial and Economic Board does compared with OEEC, and so forth?

Mr. CABOT. Certainly, Mr. Vorys.

Presently the Financial and Economic Board is making studies of the economic impact on the members of NATO of the defense effort--of getting into proper military posture. This task is what we call the burden-sharing exercise. We expect it will make recommendations to the Council of Deputies and give facts to the Council of Deputies which will enable the Council of Deputies to discuss burden sharing.

The FEB is in a sense an inner circle within OEEC, which in the past considered how the countries of Europe could best use United States economic aid and in general coordinated European economic recovery. The two have no direct relationship to one another, however, and OEEC covers 16 countries, of which only nine are members of NATO.

Mrs. BOLTON. Mr. Chairman, will the gentleman yield?

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. I asked certain questions of Mr. Foster which he was kind enough to submit answers to in letter form. Those have been put into the record, Mr. Vorys, with the history of this particular Financial and Economic Board. It is in the record, Mr. Chairman. (See pp. 167-168.)

Chairman RICHARDS. You mean the questions you asked yesterday?

Mrs. BOLTON. Yes. They referred entirely to this, and the answers take a little different slant from what the gentleman said.

Chairman RICHARDS. We would like to hear Mr. Cabot on that.

Mrs. BOLTON. Of course, but I am just advising you that it is in the record.

Chairman RICHARDS. I am glad you told me about that, Mrs. Bolton, because we were interested in that particular point yesterday.

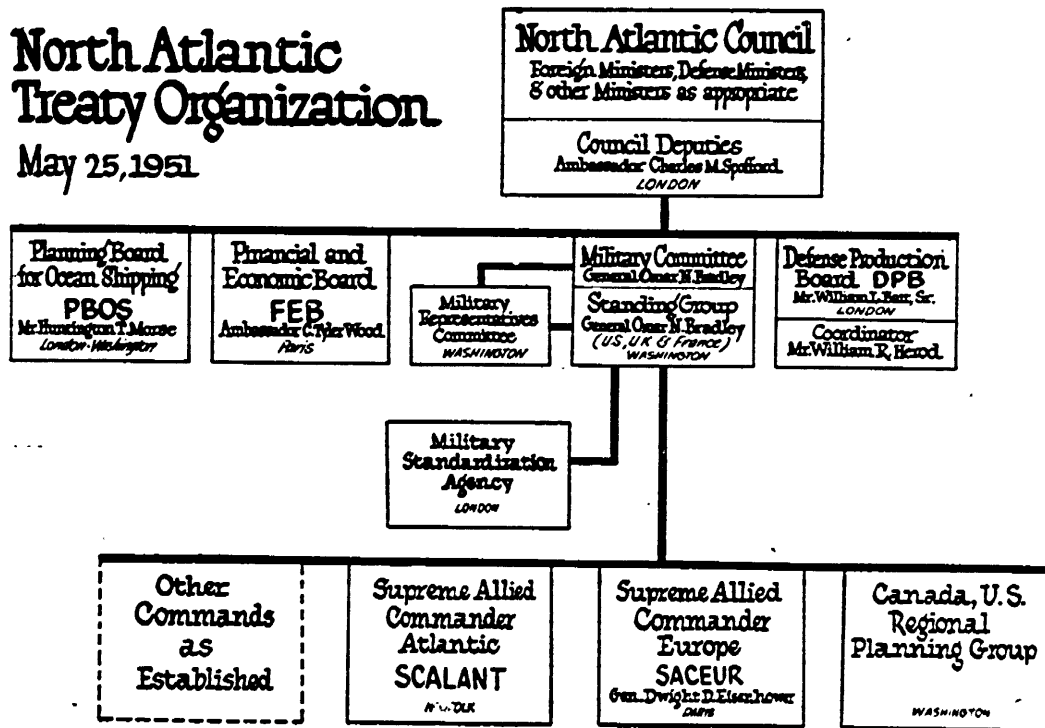
Mr. CABOT. Mr. Foster could no doubt tell you in greater detail of the work of the FEB, because that is really a primary responsibility of the ECA, that being the agency of our Government charged with administering United States economic aid to Europe and Ambassador Wood is, in fact, an ECA man.

Then we also have the Planning Board for Ocean Shipping, which I think describes itself. It plans the problems of shipping, which will be so important in case of war. The Military Standardization Agency I do not think I need to dwell on since its title describes its function. Most important, of course, of the organizations which we are reviewing is General Eisenhower's command in Europe, but we must not forget there are other important organizations used in the NATO defense effort.

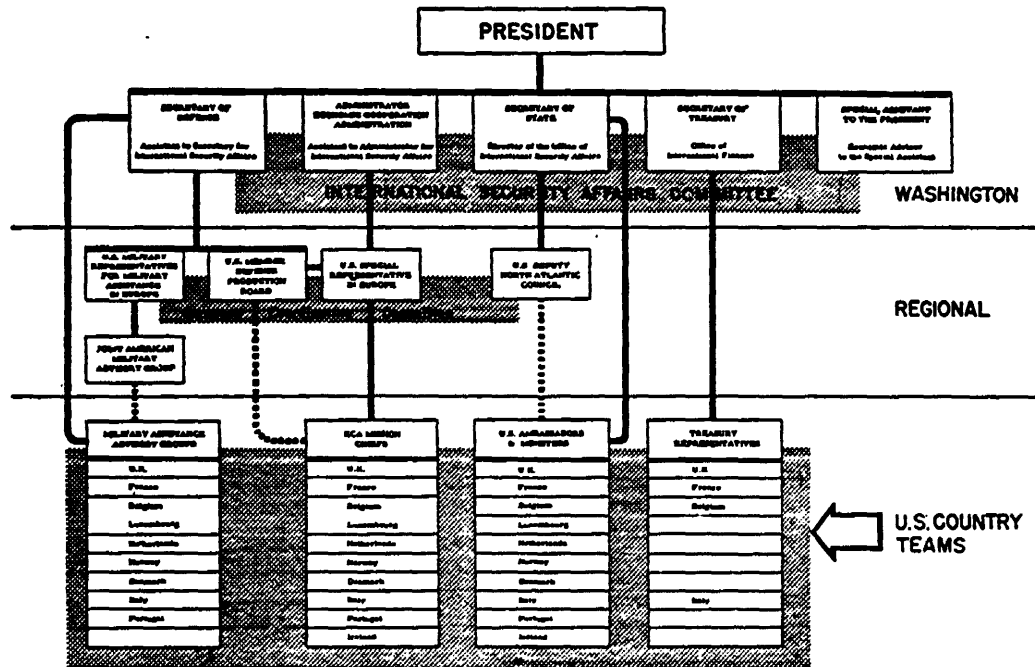
I think that next one is wrong on the chart. It should be SACLAN'T, which will be headed by Admiral Fechteler if his appointment is confirmed.

North Atlantic Treaty Organization

May 25, 1951



U.S. Organization for Mutual Security Programs In European NATO Countries



International Security Affairs -

Interdepartmental Coordinating Structure

May 25, 1961

International Security Affairs Committee - ISAC

SecDef (Chairman)
Defense
ECA
Treasury
Executive Office of the President

*Reviews and Coordinates Policies & Programs Relating to NATO,
Other Similar International Programs & Military &
Economic Assistance for Mutual Security*

Defense Production Group - ISAC/PDS

SecDef (Chairman)
SecDef
Defense
ECA

*Concerned with U.S. Policy & Programs in Field
of NATO & Other European Military
Production*

Foreign Aid Committee - ISAC/FAC

SecDef (Chairman)
SecDef
Defense
ECA
Treasury
Executive Office of the President

*Facilitates Development & Execution of Mutual
Defense Assistance Act Programs Coordinates
Military & Economic Assistance Programs*

Public Information Committee - ISAC/PIC

SecDef (Chairman)
SecDef
Defense
ECA

*Coordinates Governmental Information Policies
& Programs Relating to NATO & Foreign
Economic & Military Assistance*

Financial & Economic Group - ISAC/FEG

ECA (Chairman)
SecDef
Defense
Treasury
Executive Office of the President

*Concerned with U.S. Policy & Programs on Financial
& Economic Aspects of NATO & Other European
Security Affairs*

Political-Military Group - ISAC/PMG

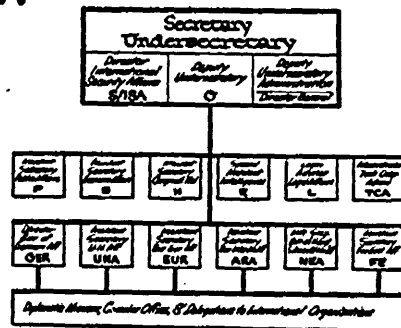
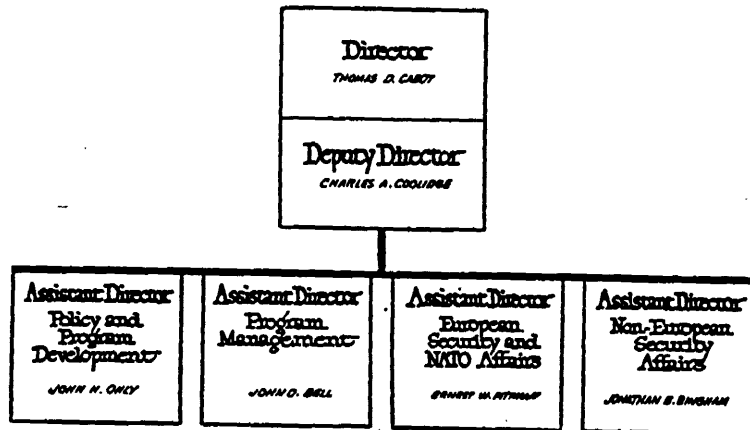
SecDef (Chairman)
SecDef
Defense
ECA
Treasury
Executive Office of the President

*Concerned with U.S. Policy & Programs on Political-
Military Aspects of NATO, Other European
International Security Affairs*

International Security Affairs - S/ISA

Department of State

May 25, 1951



THE MUTUAL SECURITY PROGRAM

There is the Regional Planning Board for the North American Continent. Later we may have further commands under NATO. Would you like me to pause for questioning on this chart before I proceed to the next one?

Chairman RICHARDS. Are there any questions about that chart?

Mr. SMITH. Is there any sound reason why these agencies should be located in one central place, rather than have them scattered all over the world?

Mr. CABOT. There are plenty of reasons why they should, and there are also reasons that make it difficult to accomplish that. I think there are a good many advantages to having them somewhat scattered.

Mr. JUDD. I am a little puzzled by your description of burden sharing. You said the FEB's business is to deal with burden sharing, which of necessity consists largely of how to divide up American aid.

Mr. CABOT. Correct.

Mr. JUDD. That is, they decide how to divide up what they get as the result of our carrying the burden? I do not quite figure out how that is sharing the burden? That is sharing the loot. It seems to me somewhat of a misnomer to call it burden sharing. Only one is carrying the burden. Why do you not say "aid sharing" or something like that instead of burden sharing?

Mr. CABOT. It is certainly not expected that the United States will be the only nation which will give aid. The standard of living, as you know, is far lower in Europe than it is in the United States, and therefore it is to be expected for some time the United States will be the major Nation in providing aid to the other members of NATO; that is, to its other partners.

Mr. JUDD. Well, is its ultimate function to try to do what the name says, that is, share the burden, or is it just to divide up the aid? The two things are quite different. You use one name for another process.

Mr. CABOT. I do not think there is an exact difference, is there, Mr. Judd, between dividing up the aid of giving countries and the sharing of the burden among the whole 12 partners? It seems to me they are part of the same general concept.

Mr. JUDD. It seems to me burden sharing would be how to divide up the carrying of the burden, and not how to divide up the results of the burden that is being carried by one nation.

Mr. CABOT. I think it is how to divide the carrying of the burden. Yes; how carrying the burden will be an aid to the other countries.

Chairman RICHARDS. Mr. Cabot, did you finish your prepared statement?

Mr. CABOT. Yes; I did.

Chairman RICHARDS. I was following your statement orally, but I was not following you on your paper. You have finished your prepared statement?

Mr. CABOT. Yes, sir.

Chairman RICHARDS. If you will, will you go ahead and proceed with this other chart, because we will have to go down on the floor soon. We will question you a little later on that.

Mr. SMITH. I have something on administration, Mr. Chairman.

Chairman RICHARDS. Do you want to question him on this chart?

Mr. SMITH. Yes.

On the question of overseas administration of the security program, Mr. Batt—and we saw him when we were on our trip—I understand, is chief of our ECA mission in the United Kingdom, and he is also our United States representative on the Defense Production Board of NATO. That is correct, is it not?

Mr. CABOT. That is correct.

Mr. SMITH. As I understand it, Mr. Batt has two separate offices, one in London and one in Paris.

Mr. CABOT. No, sir. I do not believe he has any office in Paris. If so, I have not heard of it.

Mr. JUDD. It is two offices in London.

Mr. SMITH. He has two offices in London?

Mr. CABOT. That is correct.

Mr. SMITH. What can be the purpose of that?

Mr. CABOT. Because he has two duties. One is as ECA Administrator for England and the other is as United States representative under the Defense Production Board. The international agency has an office in London, as does ECA.

Mr. JUDD. There was an announcement, I think last November, that ECA aid to England had ended.

Mr. CABOT. The ECA mission to England has not ended because it has many duties. First of all, it has the distribution of the aid still in the pipeline, and also ECA is still the claimant agency on supplies, and has various other economic functions in England.

Chairman RICHARDS. We will go to the next chart if you have finished with that one.

Mr. CABOT. Yes.

Chairman RICHARDS. I would suggest to the members of the committee that I do not think we ought to suspend hearings this early this morning. We could drop down and answer the roll call, since it is a quorum call.

Mr. JUDD. Why do they not tell us when they are in the well, and in 5 minutes we can all go down and come right back.

Chairman RICHARDS. Suppose we do that. Mr. Crawford, will you let us know, and then we will come back if it is not too late.

Mr. CRAWFORD. Yes, sir.

Mr. CABOT. This chart, Mr. Chairman, shows the United States organization. The previous chart showed the international organization, and this shows the United States organization by which we handle the Mutual Security Program and also handle our relations with NATO, and the other countries with which we are cooperating to increase our mutual security.

I would start, if I may, at the country level. We have in each of these countries a United States team. It naturally divides itself into several parts. The head or the leader of the United States team is our ambassador in each of these countries. We might, for instance, take France. Ambassador Bruce, of course, is our Ambassador to France. We also have an ECA mission chief in each of these countries. In France it is presently Mr. Parkman.

We also have military teams. We call them the MAAGS—military missions or military assistance advisory groups—the head of the MAAG in France is now General Richards. In France, but not in all of the countries, we also have Treasury representatives.

I wish to point out that these officials have different functions: the ECA chief being charged with the economic aid; the military assistance advisory groups being charged with development of the military programs which, of course, they do in consultation with military people of the country to which they are accredited; and the ambassador being charged with our over-all foreign-policy relationships with these countries.

Mr. VORYS. What are the Treasury representatives doing?

Mr. CABOT. They deal with the financial relationships between certain of these countries and the United States.

Mr. VORYS. What financial relationships? What function do they have separate from ECA?

Mr. CABOT. The Treasury carries on continuous observation of the finances of these countries and is, of course, also interested in the effect of their financial position on the over-all finances of the United States. The Treasury has representatives in a number of countries, including four of the NATO countries.

Chairman RICHARDS. Does the Treasury have anything to do with the use of counterpart funds in ECA, whether it is to retire the public debt of those recipient countries, or anything like that?

Mr. CABOT. No, sir. I do not believe that the Treasury does, except insofar as they might give advice to the ECA, which they might well do through the International Security Affairs Committee or through the National Advisory Council.

Chairman RICHARDS. But primarily then the Treasury is an adviser on the financial status of the recipient country as related to the United States position?

Mr. CABOT. That is correct.

Mr. HERTER. Is it not true in Paris that Dr. Tomlinson advised in financial matters the Embassy, the Paris ECA, and the regional office of ECA; that is, all three?

Mr. CABOT. That is correct. He is in an advisory capacity.

Mr. HERTER. All of the American agencies in Paris, and he happens to be a very valuable and skilled man there; but there are a limited number of Treasury men abroad.

Mr. CABOT. That is correct.

Mr. MANSFIELD. If the gentleman will yield, I would like to say too that the Treasury man in Brussels impressed us very much with his wide grasp of the situation.

Mr. HERTER. A very able man.

Mr. VORYS. Is he on the payroll of the United States Treasury? I thought all those things are things ECA was supposed to be doing.

Mr. CABOT. I believe he is on the payroll of the United States Treasury, Mr. Vorys.

Mr. RIBICOFF. This problem of the Treasury is a lot bigger than just the question of the ECA mission or military assistance. In other words, the Treasury representatives were in these countries before ECA was started. Is that not correct? This is a continuing part of the way we carry out foreign relations. You certainly cannot carry it out unless you have the Treasury coming into it with international trade, the loans involved, and so forth. That is my understanding of what the Treasury does.

Mr. CABOT. I believe that is correct.

Mr. VORYS. I thought, for instance, we used to have Department of Commerce representatives all over the world. We quit that because we were just going to have one mission in each place. Now, I frankly did not know that we still had Department of Treasury representatives scattered over the world. Are they under our ambassadors?

Mr. CABOT. They are advisory to our ambassadors. The exact relationship that they have to the Treasury in Washington I cannot tell you. I do not know.

Mr. MANSFIELD. Mr. Cabot, you could get that information for us, though, and give us a detailed analysis of the positions of the Treasury representatives in these four European countries?

Mr. CABOT. I would be glad to, Mr. Mansfield.

(The information referred to appears in the appendix.)

Mr. SMITH. How many men are employed in this program, Mr. Cabot, at home and abroad?

Chairman RICHARDS. What program is the gentleman talking about?

Mr. SMITH. This mutual assistance program in these various agencies or departments?

Mr. CABOT. That would be a hard question to answer, because you would have to define whether you mean full-time on the Mutual Security Program, or whether they deal with it in connection with other duties. The total staff abroad I could not tell you.

Mr. SMITH. How many do you have here at home?

Mr. CABOT. There again you have the same problem, because many of us deal with many problems other than the Mutual Security Program.

Mr. SMITH. There is an overlap then of responsibility and duties?

Mr. CABOT. That is correct.

Mr. VORYS. You said "many of us." Do you have duties other than being Chairman of the Coordinating Committee of ISAC?

Mr. CABOT. No, sir. That is my duty. My job really divides itself into two parts, however. I am the backstop for Ambassador Spofford in London, so that the United States Government will speak as one voice to him so far as it can, it being an interdepartmental operation; and I have responsibilities with respect to the aid programs to see that they are properly coordinated.

Chairman RICHARDS. In line with what Mr. Ribicoff said, you or your organization avail yourselves of the normal facilities of the United States Government, let us say, the Treasury, Agriculture, and any other departments that have representatives abroad. That is correct, is it not?

Mr. CABOT. That is right.

Chairman RICHARDS. Go ahead, sir.

Mr. CABOT. Now I will deal with the regional level.

These agencies at the country level have their counterpart at the regional level. I might explain that for military and economic programs it is necessary that they be related, one country to an adjoining country. For instance, it would not be good policy for the United States Government to give end-item aid to a country where those end items could be purchased in an adjoining country either quickly, cheaply, or effectively.

Inasmuch as the country mission would not probably have knowledge of the adjoining country, our programs are screened at the regional level.

At the regional level the leader of the team is Ambassador Spofford. He is also Chairman of the European Coordinating Committee, which I referred to in my prepared statement.

The top economic man is Ambassador Katz in Paris, and, as you know, his resignation is now pending.

On the production front Mr. Batt is the American representative, and the military representative is General Handy, now in Heidelberg.

Under General Handy is General Kibler in London, who screens these programs at the regional level. The programs then are referred to Washington. In Washington the military programs are handled by the Defense Department and the economic problems by the ECA; and they are coordinated through our Committee.

Of course, the President has the final say on all of these matters.

The representatives on our Committee of these various departments are General Burns for Defense, Mr. Halaby for ECA, Mr. Hebbard for Treasury, Mr. Gordon for Mr. Harriman's office, and I chair the Committee for the Secretary of State.

If there are no more questions on this chart, sir, I will turn to the last chart, which is a simple one and simply shows how our committee is organized.

Mr. JAVITS. Could I ask one question on this chart?

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. What is the top authority in the United States on the Mutual Defense Assistance Program comparable to the Administrator of ECA in the economic program?

Mr. CABOT. I do not think I could say that there is a top other than the President, who has authority in the Mutual Security Program.

Mr. JAVITS. I said the Mutual Defense Assistance Program.

Mr. CABOT. Oh, you mean the military part?

Mr. JAVITS. Correct.

Mr. CABOT. The top authority there would be the Secretary of Defense, of course. Under the Secretary of Defense there is an office under General Burns which concerns itself with all military foreign aid. The actual programing is under General Scott.

Mr. JAVITS. But there is no person comparable to the Administrator of ECA who is the Administrator of the Mutual Defense Assistance Program?

Mr. CABOT. Not exactly comparable, Mr. Javits.

Mr. JAVITS. Thank you very much. That is what I wanted to know.

Mr. JUDD. If I may interrupt there for just a moment, on page 17 you say there are these three jobs, the military aid, the economic aid, and the technical assistance. One is in Defense, one is in ECA and one is in the State Department. They are all part of one program.

I am still not sold on the argument that it is not advisable to have one operation with three parts, correlated with Defense and State and the rest of the Government. You have three parts of one program. That is where the fundamental integration ought to be, in one agency, it seems to me.

Mr. CABOT. That could, of course, be done, Dr. Judd. I am not for an instant suggesting it could not. I am only pointing out if that is done you would also have to coordinate.

Mr. JUDD. Certainly. You would have one top man who would be head of the Mutual Security Program. It would have three parts, the military, the economic, and the technical assistance.

Mr. CABOT. He, however, could not issue orders to a member of the Department of Defense, except if the President designated him to do so.

Mr. JUDD. No. That is right. He cannot issue orders to the technical assistance business now.

Mr. JAVITS. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. JAVITS. Neither can ECA issue orders to the Department of Commerce or anybody else, but they still have a top man running the show. That is what I think Dr. Judd and I are after.

Mr. JUDD. That is right.

Mr. MANSFIELD. Mr. Chairman, I think the answer in part to Mr. Javits' question lies in the fact that under ordinary circumstances the ECA, a foreign aid program, would have gone through the Department of State, making the Secretary the head of it; but it was created as an independent agency, giving the Administrator a great deal of power. If you want to make a comparison I would have to agree with Mr. Cabot that Secretary Marshall would be a similar head to Mr. Foster in the ECA, on the military aid program.

Mr. CABOT. Thank you, Mr. Mansfield.

Mr. VORYS. Mr. Foster has just a claimant agency. Is that not right? He does not buy anything? He does not order anybody in this country to do anything. He does not procure.

Mr. MANSFIELD. No, but does he not make use of the Government agencies in existence for procurement purposes?

Mr. VORYS. Yes. Of existing agencies.

Mr. MANSFIELD. So that you have that same situation coming up again of this correlation or coordination, or lack of oneness you have been trying to bring out in your testimony.

Mr. JAVITS. Might I say that might be good? All I think we ought to do is pinpoint the situation, so that we know what we are dealing with.

Chairman RICHARDS. Let us go into that a little later. Mr. Cabot will sit down directly and we will all ask him questions about that.

Mr. FULTON. Could I have one question?

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. There is a liaison with Greece and Turkey. As you said, obviously they are outside the NATO countries. Where does that liaison fit in on your chart?

Mr. CABOT. Do you refer to liaison with the governments of Greece and Turkey?

Mr. FULTON. Yes.

Mr. CABOT. Or with the American teams in Greece and Turkey?

Mr. FULTON. Whatever the liaison is with those two countries. Just where does it fit in on your chart there?

Mr. CABOT. In Greece and Turkey, as in other countries, we have an Ambassador, a military mission and an economic mission. The liaison with the Governments of Greece and Turkey is through the heads of those missions.

Mr. FULTON. It does not come into your chart through you, under the Secretary of State?

Mr. CABOT. The Ambassador is, of course, the representative of the President, but receives his instructions ordinarily from the Secretary of State.

Mr. FULTON. So that in those countries you are actually operating just under the present diplomatic set-up without any change through this International Security Affairs Committee on this particular problem?

Mr. CABOT. The International Security Affairs Committee is a Washington coordinating agency. There is coordination in the country under the Ambassador, who is the leader of the team in each country.

Mr. FULTON. But on the Mutual Security Program you have no coordinating in Washington through the International Security Affairs Committee. It is done directly through diplomatic channels as to Greece and Turkey?

Mr. CABOT. Orders to the ECA mission chiefs are through an ECA channel; to the military mission through a military channel; to the Ambassador through a diplomatic channel. The coordination takes place both in Washington and in the country—in Greece or in Turkey—and also in the region through the European Coordinating Committee.

Mr. FULTON. With whom would they check in on your committee?

Mr. CABOT. Each checks in with his counterpart in Washington, because they have three channels of communication.

Mr. MANSFIELD. Could we have the other chart now?

Mr. CABOT. In further answer to the last question I would like to point out that Greece and Turkey are no different from other countries organizationally, except that we have no regional coordination for Greece and Turkey except through OSR.

This last chart shows how we organize here in Washington. We have a top coordinating committee. I have already given you the members of this committee, and under it we have five subcommittees: The Defense Production Group, dealing with production matters; the Foreign Aid Committee, dealing with the relation between economic and military aid; the Public Information Committee, dealing with information programs; the Financial and Economic Group, dealing with the economic problem; and, the Political and Military Group, dealing with the relationship between foreign policy and military policy.

Chairman RICHARDS. Mr. Cabot, I hope you can remain here a little while. We will have to suspend for a few moments to go down to the floor.

(Whereupon, at 11:40 a. m. the committee recessed until 11:50 a. m.)

Chairman RICHARDS. The committee will come to order, please.

Mr. Cabot, will you please continue your testimony?

Mr. CABOT. If I may, Mr. Richards, I would like to revert to the subject of burden-sharing which Dr. Judd raised. We were talking at that time of the FEB and, therefore, I adverted only to the economic aspects of burden-sharing but, of course, burden-sharing is a much larger subject, really. The Europeans are putting up a major measure of troops, and they are also providing the maintenance of those troops, and the individual equipment of those troops, and much of the hardware of those troops.

Then there is the subject of infrastructure which enters into the burden. Infrastructure is what the military people refer to when they are talking about the docks, and the communications, and the air fields, and so on, which are for the common use of forces of the cooperating countries.

This burden-sharing exercise will be finally studied in the Council of Deputies. One of the elements which goes into it will be the results of study by the FEB.

Mr. JUDD. Burden-sharing is the new word for what we used to call division of effort. Is that right?

Mr. CABOT. Yes, sir.

Chairman RICHARDS. Suppose we go around the table, Doctor. Are you through with that question?

Mr. JUDD. Yes.

Chairman RICHARDS. We will go around under the 5-minute rule. Mr. Gordon.

Mr. GORDON. No questions, Mr. Chairman.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. You have given us a lot of food for thought and explained the whole thing in one piece more than any witness yet.

Coming back to this baffling organizational set-up, you are called the Director of International Security Affairs; are you not?

Mr. CABOT. That is right.

Mr. VORYS. Do you direct anybody except your immediate office staff?

Mr. CABOT. Yes, sir. I have a considerable office staff which deals with the final screening of these various programs and the coordination of these programs. Actually, my staff divides itself into certain departments, which I might describe to you.

My deputy, Mr. Coolidge, you all know, and there are four assistant directors—Mr. Ohly, whom many of you will remember because he has been up before you on the two previous military aid programs. He is the Assistant Director of the Program and Policy Department. He is the head of the planning element of my staff.

Mr. Bell has charge of the program management and control. He is an assistant director.

Mr. Bingham is in charge of the non-European affairs; and Mr. Pittman is in charge of the European and NATO affairs on my staff.

We have to follow the activities in the various parts of the world in order to coordinate the aid programs with the over-all foreign policy of the United States, and thus I need somewhat of a staff.

I said earlier that I had no responsibilities other than in foreign aid programs. I do have one small additional responsibility, and that is in the Munitions Division in the Office of Security and Consular Affairs of the State Department, which receives policy direction and guidance from my office. Mr. Elliott runs that Division. It concerns itself with the licensing of the export of munitions and allied things, such as patents on munitions, and blue prints, and plans.

Mr. VORYS. Are you familiar with a bill that our colleague, Mr. Battle, has introduced, which would wish on to you individually the entire control of east-west trade through the iron curtain?

Mr. CABOT. I have read the bill. Yes, sir, Mr. Vorys.

Mr. VORYS. That bill was the product of some groping by our subcommittee in this maze of agencies. We found that there was nobody, that is no one person, responsible for what was going behind the

iron curtain from this country or other countries, and we wanted to pick out one person some place and give him that responsibility.

Under that bill, as you know, you would direct, and you would have statutory powers, that is, you yourself, and nobody but the President could do much about those powers.

What do you think about that?

Mr. CABOT. I think the bill is a very good bill. As to whether I should be the one to administer, I will have to leave that to someone else. I can hardly view that objectively. I will be glad to try, if that, in your wisdom, is the best place to put administration of the bill.

Mr. VORYS. Here is why we picked you——

Mr. BATTLE. We thought you did not have enough to do.

Mr. VORYS. Here is why we picked you, or your job. We have great confidence in you personally, but here is why we picked your job. We figured that in persuading other nations to go as far as they should in this, that the fellow who had something to do with whether they got any economic or military aid would be a very effective persuader. Now, I wish that you would, with as much detachment as you can, comment on that. I appreciate it involves you personally, but I want to find out whether you think that is an effective way to go about it.

Mr. CABOT. Aid is certainly an important element of the foreign policy of the United States and is used in implementing the policies. There can be no doubt that there is a relationship between aid and the ability to get cooperation from our partners in withholding helpful supplies from our enemies.

Chairman RICHARDS. Your 5 minutes are up, Mr. Vorys.

Mr. Battle.

Mr. BATTLE. Mr. Chairman, I will continue with Mr. Vorys' line of questions since it is on the Vorys-Kelly-Burleson-Chipfield-Battle bill here.

I would like to say before I start that everybody on the subcommittee contributed considerably to the construction of this legislation. Mr. Vorys had a brain storm out on the porch one day when we were meeting, and Mrs. Kelly had a basic idea that was adopted unanimously. Mr. Burleson, Mr. Chipfield and I also worked hard to set a workable, sound and permanent policy to control trade with those threatening our security.

I was wondering, Mr. Cabot, in your capacity as Chairman of ISAC, if it was ever appropriate, or if you have called on the OIT in reference to some of these shipments behind the iron curtain? Does OIT fit into the picture at all insofar as your work is concerned?

When we were studying the various agencies that make up ISAC it seemed that since OIT has the major responsibility of controlling shipments from the United States, possibly they should or would be invited in for consultation on occasion.

Mr. CABOT. Presently, no. We have no direct relationship with the Department of Commerce in my committee but, of course, the State Department has a coordination responsibility with the Department of Commerce and the OIT.

Mr. BATTLE. Is it your interpretation of the Kem amendment that in case there is a settlement in Korea it will not be operative unless the Security Council of the United Nations sanctions the participation of the United Nations forces in a new conflict somewhere?

Mr. CABOT. My understanding of the Kem amendment is that it becomes inoperative as and when hostilities cease.

Mr. BATTLE. And that to become operative again it would have to be under a new decision of the Security Council of the United Nations?

Mr. CABOT. The Kem amendment—I do not see how it can become operative under the Security Council of the United Nations. It is a United States law; is it not? Perhaps I do not understand you, Mr. Battle.

Mr. BATTLE. If I am correct I think that the Kem amendment operates only when the American forces are engaged in actual hostilities under the direction of the Security Council of the United Nations.

Mr. CABOT. I understand.

Mr. BATTLE. And if the Korean situation is settled and then there is an outbreak, say, in Iran, or Germany, or somewhere else, then the Kem amendment will not operate in any shape, form, or fashion, unless the Security Council of the United Nations sanctions hostilities for the United Nations forces again in this new spot.

So what I am saying is, that if hostilities cease and we get a cease fire or get an agreement in Korea, then the Kem amendment will not be effective or will not operate because the Russian delegates will not walk out of the Security Council again. In other words, they will stay in the Security Council and will veto any effective action which that unit might want to take.

So I am just saying in effect, or asking, if it would not be a good idea to get on with our bill at the first opportunity so we can have a legislative act with a definite policy for the United States so far as our shipments are concerned, and so far as the control of shipments is concerned, relative to the recipient countries of our aid.

Really what I am asking you is if you agree with the principles of our bill on east-west trade?

Mr. CABOT. I do.

Mr. BATTLE. Mr. Vorys, did you get through with the questions that you wanted to ask?

Chairman RICHARDS. He has no more time.

Mr. BATTLE. Is my time up? I would like to yield to Mr. Vorys.

Chairman RICHARDS. You have 1 minute left, Mr. Battle.

Mr. VORYS. I wanted to get back to your present organization. With your vast experience in business, and I know you were picked because of your organizational experience, have you ever seen in business the counterpart of the sort of organization you are "director" of now?

Mr. CABOT. No, sir. I have never seen anything like it, and I do not believe that there ever was a business anywhere near as complex as the United States Government; but I have given a great deal of thought to this since I have been down here, and I do not see how it can be simplified.

Surely, you can put everything under one agency, but you still are going to have an interdepartmental operation and must coordinate with the departments which have the operating responsibility. It is like a three-legged stool. You can make any one of the legs the responsible agency, but you have to have the other two legs in order to get the job done.

Mr. JUDD. How about the seat being the responsible agency that holds them together?

Mr. CAHOR. The seat really is the President of the United States.

Mr. JUDD. Yes; and he can delegate it to one man with three subordinates as well as to three men.

Mr. VORYS. The Hoover reports generally urge that we use the military or business type of departmental organization, with the authority at the top, a streamlined authority. Of course, this organization violates that. I am groping as to where it can be improved or changed, but I value highly your views on it.

Chairman RICHARDS. In your private business you did not have to fool with the Constitution or anything like that, did you? You had certain rules, and you had a board of directors who made those rules, but that was about all; was it not?

Mr. CAHOR. That is right. We had bylaws, but they could be changed.

Chairman RICHARDS. That is right.

Mrs. Bolton.

Mrs. BOLTON. No questions, Mr. Chairman. I am very happy to yield to Mr. Vorys, if that is the way you want to do it.

Mr. VORYS. I have had enough.

Chairman RICHARDS. Mr. CARNAHAN.

Mr. CARNAHAN. What is the relationship between this International Security Affairs Committee and the State Department?

Mr. CAHOR. The committee is an interdepartmental committee. My office is a part of the State Department. I act for the Secretary of State in this area of his responsibilities.

Mr. CARNAHAN. Even though the function is interdepartmental, it would certainly be well to have somebody who is responsible to get together the departments; would it not?

Mr. CAHOR. I have that responsibility—the responsibility of getting the departments together and attempting to find a governmental position on the various matters which involve these departments—and so far have been quite successful, I feel, in getting a Government position in a number of notable instances.

I might mention, perhaps, the Canadian proposal in which the United States Government had no position for a good many months. That finally was taken up in our committee and a Government position was found.

Now, we have a revision of the top committee structure of NATO closely following the proposal of the Canadians made some time last summer.

Mr. CARNAHAN. I have nothing further, Mr. Chairman.

Mr. HERTER. Will the gentleman yield there?

Chairman RICHARDS. Will the gentleman yield to Mr. Herter?

Mr. CARNAHAN. Yes.

Mr. HERTER. I was wondering if the gentleman would like to elaborate on that a little bit. I do not think most members of the committee know what the Canadian proposal was, and what it relates to, and what happened in connection with it. It has some connection with this whole structural feature.

Mr. CAHOR. The NATO is a partnership of 12 sovereign nations, and this partnership is a three-function partnership. It is political, military, and economic.

In every one of these 12 governments those functions are functions of different departments of each government. Therefore, the various Ministers all felt it was their responsibility to carry on this NATO, and we started, by article IX of the treaty, with a Council which consisted of the 12 Foreign Ministers, and a Defense Committee consisting of the 12 Defense Ministers.

We soon had a Defense Finance and Economic Committee consisting of the 12 finance members, and a Military Committee consisting of the 12 Chiefs of Staff.

So, you had what is essentially 3 cabinet-level and 1 top-military-level committees, all 12-man committees of 12 sovereign governments, and with no straight coordination between them except through the 12 governments.

The Canadians last summer proposed that they do away with the Defense Finance and Economic Committee, and with the Defense Committee, and merge them into the Council, making the Council a Council of Governments. Within a few weeks of this proposal being made in the Council of Deputies, 11 of the governments came to an agreement as to substantially what they wanted in the way of a simplification of this top structure, but for many, many weeks thereafter the American representative, Ambassador Spofford, whenever this matter came to the front on the agenda, had to say, "I am uninstructed."

The United States Government, which is attempting to show some leadership in world affairs, could not make up its own mind.

It was perhaps that and a number of other similar problems that led to the study of how we could get better interdepartmental organization here in Washington which led to the formation of my office and of the International Security Affairs Committee.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Cabot, do you have your statement before you? I would like to ask specific questions about three or four things in it.

Beginning on page 9 you give a list of five amendments or changes which you believe ought to be made in our present legislation. I grant you the advantages of retaining as much as possible of the legislation which has already been interpreted and proved. We know what it means and how it works.

But you now want authority given to the President, for example, to permit him to provide economic assistance to Yugoslavia. Then you say it should also permit him to furnish military aid to a number of non-NATO countries.

What countries do you have in mind? Do you care to say? Would you say Austria, for example?

Mr. CABOT. There are several possibilities.

Mr. JUDD. You mentioned Yugoslavia by name, but you did not mention any others. I did not know what you meant by "other non-NATO countries."

Mr. CABOT. I would not want to discuss the exact status of our thinking on aid to any non-NATO countries except perhaps in executive session.

Mr. JUDD. Are you thinking of Europe there?

Mr. CABOT. Yes. Specifically in Europe. There are other countries, which, as you know, might be used to help us in this concept of balanced collective forces.

Mr. JUDD. Of course, you recognize it is going to be very difficult to get such a blanket grant of authority. The Korea affair, where the President initiated a police action on his own, turned out to be the third or fourth largest war in our history. As a result of that experience and the impression left in everybody's mind, it is going to be very difficult for the Congress, I think, or the people, to support such an extraordinary blanket grant of authority.

I would predict the Congress would tighten up on previous grants of authority rather than making new ones, as you ask us to do in these five items.

For instance, in No. 3 you say:

Authority to furnish a limited quantity of military assistance to other American Republics when assistance of this character will further the performance by them of specific missions which are important to the defense of the Western Hemisphere—

What do you mean by that? Are we furnishing it now to some?

Mr. CANOR. We give reimbursable aid only on military items to other American Republics. We are asking for authority to give up to \$10,000,000 of grant aid—military aid to other American Republics.

Mr. JUDD. That is to be determined completely by the executive agency without any reference to Congress?

Mr. CANOR. That is right.

Mr. JUDD. Then, in No. 4, you say:

Authority to make contributions to the United Nations Korean Reconstruction Agency—

What do you mean there? Do you want Congress to give a blanket authorization, or do you want this committee to recommend a blanket authorization for the President to transfer to that Agency whatever amount of funds he wants to out of this \$8,500,000,000? Or is it your idea that we give a general authorization and then you come up and justify specific amounts before the Appropriations Committee? Or do you want the President to be able to transfer any amounts out of the appropriations, no matter for what purpose it has been granted, to meet the objective you mentioned here?

Mr. CANOR. We are presently programming \$112,500,000 for reconstruction in Korea. We, of course, do not know whether or not it would be useful to spend that sum. We cannot predict what would be the future events in Korea. Therefore, we feel it must be left to the administrative branch of the Government whether or not we give that money for that purpose.

Mr. JUDD. That is right. If Congress in this bill granted \$112,500,000, the President could certainly cut it down. However, as I get it, you are asking us to give him authority to make it \$500,000,000 if he wants to.

Mr. CANOR. No, Dr. Judd; I do not believe that is correct. If I correctly interpret the bill, we are limited to \$112,500,000 for this purpose.

Mr. JUDD. But this language says you would like to have us give you—

Mr. HERTER. A new form of authority.

Mr. JUDD. Yes. A new grant of authority in addition to the \$112,500,000, unless you have misstated your own position, because the way this reads you want us to give him authority to make contributions with no limitations.

Mr. CABOT. In previous bills we had no right to give for this purpose. We are now asking for the right to give for this purpose up to \$112,500,000.

Mr. JUDD. Only up to that point?

Mr. CABOT. I believe the bill speaks for itself on that point, Dr. Judd.

Chairman RICHARDS. Dr. Judd, your time has expired.

Mr. JUDD. All right.

(Statement submitted by Department of State in further clarification of the provisions of the bill in regard to United States contributions to the United Nations Korean Reconstruction Agency:)

As indicated in the section-by-section analysis under section 303, the total United States contribution in the United States fiscal year 1952 to the program of the United Nations Korean Reconstruction Agency is \$162,500,000. There are approximately \$50,000,000 of funds appropriated for the ECA for Korea for the fiscal year 1951, however, which are unobligated and authority is requested to make this amount available for contribution by the President to the Reconstruction Agency. Accordingly, only \$112,500,000 would need to be authorized to be appropriated by the proposed legislation. It is proposed to credit to the United States contribution of \$162,500,000 United States-financed supplies which are in the pipeline at the time the UN Korean Reconstruction Agency assumes responsibility for the Korean relief and rehabilitation program. The amount of such pipeline stocks cannot now be known.

Dr. Judd raised the question whether section 303 contains any limit on the amount of the contributions. Under the bill as presently drafted, the total contribution could conceivably exceed \$162,500,000 by the amount of the pipeline supplies, which are transferred to the Reconstruction Agency. This was not the intent. We are entirely agreeable to appropriate changes in the language to make clear that the total contribution will not exceed \$162,500,000.

Chairman RICHARDS. Mr. Zablocki.

Mr. ZABLOCKI. I have no questions at this time, Mr. Chairman. I yield my time to Dr. Judd.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. ROOSEVELT. Mr. Cabot, do you not really intend to say, "Authority to make \$112,500,000 contributions to Korea"?

Mr. CABOT. Yes.

Mr. JUDD. If that is what you mean, then there is no conflict.

Mr. ROOSEVELT. You mean to say "Authority to make \$112,500,000 contributions to Korea."

Mr. CABOT. That is correct.

Mr. JUDD. Then there is no conflict. As I read it, you were asking for blanket authority, and I wanted to be sure of that.

Now, as to the fourth paragraph on page 10, you speak of excess materials which may be transferred as grant assistance without charge to military-assistance appropriations. Maybe this is not the place to ask, but I want to know if there are excess materials. They told us 2 years ago there was only a limited amount, and that excess materials had been pretty well used up.

Now, can the Army declare practically any amount of even new material to be excess, and thereby increase the amount available for grants, without the knowledge and consent of Congress?

Should that question go to General Scott?

Mr. CABOT. That would be more fully discussed by him, but I can answer it generally. We are asking for additional authority because the amount we have had heretofore is used up. The amount of excess material was limited. It is always limited, but it is not static. That

is to say, new material becomes excess because we find new models which we want for our troops or we have some surplus for some reason or other, and we wish authority where material has been declared excess by the Army, or the Navy, or the Air Force, to include this in our military assistance up to a certain amount.

We are asking for an additional \$450,000,000. We have had a total of \$700,000,000 heretofore. The \$700,000,000 is practically all exhausted, and of the \$450,000,000 we are presently programming \$229,000,000 as grant aid of excess material.

You understand that this is the original value of this excess material.

Mr. JUDD. Yes.

Mr. CABOT. \$229,000,000 will be programmed for grant military aid. The additional \$221,000,000 we wish because of the reimbursable-aid feature of the bill. We may wish to sell some portion of this excess material on a reimbursable-aid basis.

Mr. JUDD. Of course, you see what we are up against. It is always possible for the Department of Defense to take stuff that is 20 days old and declare it excess and dispose of it at 10 cents on the dollar. Something like that has been done repeatedly. It means that when Congress appropriates \$100,000,000, actually \$1,000,000,000 worth of materials can be passed out. I do not know the exact figures, but that has been done repeatedly where they really wanted to carry out a program. In other cases where Defense or State did not favor a program which Congress wanted, they charged the replacement cost and not 10 cents on the dollar, thereby cutting the program down.

Mr. CABOT. Dr. Judd, we are limiting this to \$450,000,000. That is the procurement cost of the material and not the price at which we will "cost" it for the Mutual Security Program purposes.

Mr. JUDD. I want these things spelled out in the record.

One more question at this time. At the beginning of your statement, you speak of this as being a single program. You say it is a single program. Well, I am compelled to comment that it ought to be a single program, but it is not. By your own statement it is a series of programs that you are merely coordinating. Therefore, this is my question: Is the reason that you cannot get better organization—you say you have thought about it and struggled with it, and you are an expert in that field—is the reason the inherent difficulty and complexity of the problem itself, or is it because of resistance you have met from various agencies who do not want to come into a single program?

I do not want to embarrass you, but I would like your honest opinion.

Mr. CABOT. I would be very happy to answer that, Dr. Judd. I have not met resistance from the various agencies. I have a very high regard for the people I have met in these agencies, although I knew few of them when I came here. It is because of the inherent difficulties in this international field. You cannot effectively implement this program without using the varying skills that there are in various departments of our Government. Those departments having no common meeting place short of the White House, you must coordinate it through a coordinating committee. The President cannot, nor can the Cabinet, find the time to do the coordination at a higher level.

Chairman RICHARDS. Doctor, your time has expired again.

Mr. Javits.

Mr. JAVITS. I will just take a minute, Mr. Chairman.

Mr. Cabot, we are trying diplomatically and wisely through economic and military aid to lead the world to peace and higher standards of living and more freedom. We have talked here about the unification of Europe and the various elements of that. We have talked here about land reform—not spurious as in the Communist revolutions, but productive and just—in southeast Asia. We have talked here about the antidotes to cartel thinking in Europe, and similar problems throughout the world.

Do you believe, as the head of a coordinating committee of the State Department, which is what you are—and yours is the one agency that heads all these programs up—do you believe in that way you can have the greatest impact in our relations with all of these nations we are going to deal with in the Mutual Security Program for the purpose of moving them toward these other objectives, or do you believe you could have much greater impact if you were the administrator of the Mutual Security Program?

Mr. CABOT. I do not believe there would be any substantial difference that I could have under the two different titles. In either case one would have to have the consent of the operating agencies in order to get anything done.

Mr. JAVITS. You would have to have the consent of the operating agencies to ship something, or to supply something, or to procure it, or to specify it, but you would not have to have the consent of the operating agencies to go and see the Prime Minister of France and tell him what the United States really wants to accomplish through this program, which you would be the head of in all three parts—economic, technical, and military. Today it would take you, and Mr. Foster, and Dr. Bennett, at least, if not a lot of other people also, to see the Prime Minister of France.

The other way—that is, the way I described it—it would just take you. Now, which would be better?

Mr. CABOT. I would think Ambassador Bruce should have the primary responsibility for seeing the French Government, and that I would have the right to see the Prime Minister of France under my present title and set-up.

Mr. JAVITS. Now, Ambassador Bruce has been seeing him for some time, and I have great confidence in him and high regard for him. But we are not very satisfied with the progress that is being made solely on the diplomatic level in the respects that we feel this program is designed to serve. We ask you what are we to do about it? Should we just let it run along as at present, supplying even more money than now?

Mr. CABOT. I believe the program has gone well, and that we are very well represented in France. Of course, General Eisenhower also has the right, and often goes to see high Cabinet level officials of the French Government.

Mr. JUDD. You are not speaking of France except as an illustration; are you?

Mr. JAVITS. I have the deepest faith in General Eisenhower and his mission but he does not control this program as you bring it to us. I am just taking France as an illustration. You can apply it to any country in the world. We have heard, and people throughout the

country have been saying, that we are trying to get certain ideas across, and trying to get them effected. Here is an enormous piece of equipment, the whole Mutual Security Program, composed of the military, economic, and technical aid, which we want to use as the vehicle for leading the free world to better things.

I am asking you how can we best do it, and so far the best answer you have given me is the fact that we can best do it by a coordinating committee in the Department of State.

I must say that it just does not jibe with my own experience, and I doubt that it jibes with your business experience. That does not seem to me—and I can only speak for myself—the way to have the impact, and we are all agreed we want the impact.

Chairman RICHARDS. Mr. Cabot said it did not jibe with his business experience. He said that in answer to the questioning awhile ago, and he told you why.

Mr. JAVITS. I am only pointing out, Mr. Chairman, that we are not only interested in the fact that your committee agrees today, and that you get the stuff out and you get it delivered—we are willing to agree with you on that—but what we are after is are we putting ourselves in a position really to serve the purposes for which we set all this machinery up, and not just to keep the machinery operating. You are not just a machine operator, but you are supposed to be a leader and an effective force to put the program over. That is what I am asking. Can you be such a force in your present position?

Mr. CABOT. Mr. Javits, I do not believe there is any doubt that the man who is closest to the President can speak most forcefully for the administration. I do not claim to be very close to Mr. Truman. I serve under Mr. Acheson, and I consult with him quite frequently and, in fact, meet with him daily.

Mr. VORYS. Would the gentleman yield?

Mr. JAVITS. Certainly.

Mr. VORYS. We sat around this table in 1948 and we created this independent status for ECA and the director, and we created a lot of people who were called ambassadors. The purpose of it was kudos. It was so that when the ECA people went to talk with foreigners they would be ambassadors and "big shots."

At that time the Brookings Institution made the study on which that was based, and everybody seemed to agree that that was enormously important. It is pretty difficult for us, having been indoctrinated that way, to find that you simply have an office in the State Department, but are the director of all of those ambassadors, and are the director of a man who has Cabinet status, Bill Foster.

Mr. JUDD. Nobody has ever heard of your office outside of a few hundred people.

Mr. CABOT. You have a misconception, I fear, Mr. Vorys, of my position. If anybody has suggested to you that I am the director of Mr. Foster, that is incorrect. I have no directive authority over Mr. Foster.

Mr. JAVITS. Is it correct to say then, Mr. Cabot, that it is Secretary Acheson who is really doing this whole job, and you are just his agent? Is that not what we come down to; that we have a choice as between an independent agency and the Secretary of State?

Mr. CABOT. The Secretary of State has no directive authority over Mr. Foster either.

Chairman RICHARDS. The gentleman's time has expired.

Mr. Ribicoff.

Mr. RIBICOFF. I am just going into this in a little different phase. Concerning the type of organization that you would eventually evolve, would it not depend on how long the program is going to last?

Mr. CABOT. Yes; I think it would. On the question of how long the program is going to last, I view it as a temporary program in any important scale.

Mr. RIBICOFF. Now I think we have gotten down to the heart of this whole problem. If this is going to be a 1- or 2-year problem, you are not going to set up the complicated agency involved, and that is what your thinking has been, as you have talked about your organization here, beginning on page 14. You seem to view it as a temporary proposition.

Mr. CABOT. We view it as a temporary proposition of more than 1 or 2 years. We, in fact, believe that beyond fiscal 1952 there will be two more years of large-scale aid, and thereafter it will taper quite rapidly.

Mr. RIBICOFF. And ECA is supposed to terminate on June 30, 1952, that is, in another year?

Mr. CABOT. That is correct under existing legislation.

Mr. RIBICOFF. Your thinking then becomes dependent on what policy Congress adopts as to the future of this program.

Mr. CABOT. That is correct.

Mr. RIBICOFF. Suppose the policy is that this program in one form or another is here to stay with the United States for many years. Would that change your thinking as to the type of organization that ought to be set up?

Mr. CABOT. I do not believe it would substantially. You could, however, operate this by making a new Foreign Affairs Department and putting economic, political, public information matters, and so forth as divisions under that department.

I have no strong opinion one way or another as to whether the ECA as such should be continued. I have a very strong opinion that that team, which has done such a superb job in implementing the Marshall plan, should be kept in being to carry on an even more important job which faces us today, namely, increasing the military production of Europe; for, unless we can increase the production of munitions in Europe, this program will not taper off as we now envisage, but will be on the shoulders of the American people for a long time.

Mr. RIBICOFF. When you consider the short time that we have to get out a bill, so to speak, do you think it would be possible within the next month or so to sit down and do an effective job in reorganizing this whole program? Do you think it could be done properly?

Mr. CABOT. I have had very little experience in legislative drafting, sir. I would think you would have difficulty within a month.

Mr. RIBICOFF. Would you not say it is difficult? Suppose you had to amalgamate three huge corporations in America that had a budget of approximately \$8,500,000,000 a year. Do you think as a businessman or an attorney you could coordinate those things in 2 months?

Mr. CABOT. No, sir. I do not.

Mr. RIBICOFF. That is all.

Mr. FULTON. Could I ask, on the one point you are speaking of, where does this suggestion originate of the so-called proposed Department of Foreign Affairs?

Mr. CABOT. I could not answer that. I do not know where it originates. I have heard it from a good many different people, the thought that economic, political and psychological, or information affairs are but divisions of foreign affairs as a whole.

Mr. FULTON. Yes; but is it not material the State Department has traditionally dealt with and now deals with, including this, which is that simple, complicated statement—foreign affairs? I do not see what the difference is. By changing the name do you arrive at some new approach? Because, it has always been foreign policy, economic policy, psychological approach, treaties, agreements, executive agreements. It has been implementing foreign policy with force and trying to get the two coextensive. So, what is there different in this then that leads you to suggest a department which would be possibly called a Department of Foreign Affairs, as distinguished from just the old State Department?

Mr. CABOT. I really did not mean to suggest that there would be any benefit from such a plan. I was asked what plan might implement this, and I simply put that out as one possibility.

I believe that the Brookings Institution has made studies of this question of the relationships of aid to foreign policy. I think it would be well worth the time of the committee to study the latest report of the Brookings Institution.

Chairman RICHARDS. Mr. Ribicoff, did you yield to Mr. Fulton?

Mr. RIBICOFF. No; I did not, but that is all right.

Chairman RICHARDS. We will come back to you. Your time has expired.

Mr. RIBICOFF. That is all right.

Chairman RICHARDS. Mr. Fulton, go ahead on your time then.

Mr. FULTON. I will be pleased to have you go ahead, Mr. Ribicoff.

Mr. RIBICOFF. No. That is all right.

Chairman RICHARDS. You were not here when I got down to Mr. Javits, Mr. Fulton.

Mr. FULTON. Did we finish that particular point? If there should be a Department of Foreign Affairs, what then would be the duties of the State Department, as we know it now?

Mr. CABOT. I would presume they would be merged into the Department of Foreign Affairs.

Mr. JUDD. Diplomatic relations.

Mr. CABOT. I am not prepared to discuss how we should implement the foreign policy of the United States. I am prepared to discuss how we should carry out the aid programs, which are a part of foreign policy. The whole of foreign policy is a much broader subject than that which we are discussing.

Mr. VORYS. Will the gentleman yield?

Mr. FULTON. I would be very glad to.

Mr. VORYS. There are bills introduced, one by our former colleague, now Senator Case, on this subject. It is pointed out that the State Department was originally called the Department of Foreign Affairs. Therefore changing the name is not doing away with the traditional State Department, but going back to the old label, although the label in itself has no particular significance.

But if the gentleman will yield further, Mr. Cabot, your duties, according to the Executive order, are "in performing this function on behalf of the Secretary of State, and as the Director of the International Security Affairs Committee" you "will be exercising responsibility for the Government as a whole."

So that, according to the President, you are at the top of all these charts.

Mrs. KELLY. At that point, will the gentleman yield?

Mr. FULTON. I would be glad to yield.

Mrs. KELLY. I return to the Battle Committee report at this point.

As I understand it, your organization, or you, as director, was or were primarily secret at first, and I think due to that, or maybe that was one reason why our committee went into the duties of it and endeavored to give you the whole responsibility in some way. So I believe for that reason so much discussion has come up as far as replacing the State Department with a Foreign Affairs Department, and so forth.

In the Battle Subcommittee we found out that while you are the Director of International Security, you have both national and international scope.

In dealing with the problem with Mr. Sawyer, or discussing it with him, he told us when he was ambassador he tried to coordinate the work of ECA and Commerce. Is that correct, Mr. Battle?

Mr. BATTLE. Yes.

Mrs. KELLY. I know I feel, there should be somewhere in the Executive Department a person who is Director of Overseas Assistance—foreign aid—both national or international supervision, to whom we can turn and to whom we can give responsibility if something goes wrong with any economic assistance or if something goes wrong with our military assistance.

Since the problem involves political or foreign policy I do not want that director to assume the work of the Secretary of State in foreign affairs. So it is not a policy person we want. We want to pin responsibility for carrying out the foreign aid on one person.

Mr. JUDD. That is right. An operating agency, just like ECA is the operating agency for the economic phase of it.

Mrs. KELLY. You do not have departmental status, Mr. Cabot, and ECA has a departmental status, and you direct ECA.

Mr. FULTON. Could I give back the remainder of my time?

Chairman RICHARDS. Could I say this: I thought Mr. Cabot's position was that you could appoint an Administrator if you wanted to, but that Administrator could have all the authority you wanted to write into law and all the king's horses behind him, but he would not be able to carry out foreign-policy matters. The President and the Secretary of State would have to be consulted on that, and there was nothing we could do about it. The aid program was a part of the foreign policy of the United States. I thought that was the line of your argument. Is that correct, Mr. Cabot?

Mr. CABOT. That is correct, Mr. Richards.

Chairman RICHARDS. Now, if we appointed an Administrator—and I have been worried about this thing just like other members of this committee have—as a business proposition I cannot help but see that would be the most effective way to operate. I think everybody around this table has been worried about that.

When you move into the foreign-policy field you cannot get away from the fact that whoever might be named, could not proceed in certain fields until the State Department was consulted.

Mr. JUDD. Even Paul Hoffman could not, without consultation, but he still operated independently. On policy matters the Secretary of State could go to him and make representations, and then he could go to the President if he wanted to, but Mr. Hoffman still operated independently.

Chairman RICHARDS. And you feel that if he could do it, a man appointed over all could do it?

Mr. JUDD. Yes.

Chairman RICHARDS. Let me say there is a motion to recommit up on the floor. I imagine members of the committee would want to find out about the form of that motion.

Could we come back after that? We have four members here who have not availed themselves of the 5 minutes, and I do not want to cut them off at all. What do you want to do about that?

Mr. HAYS. I have no questions.

Chairman RICHARDS. Mr. Herter, could you be back here at 2:30?

Mr. HERTER. Yes. I would be glad to.

Chairman RICHARDS. What about you, Mr. Roosevelt?

Mr. ROOSEVELT. I have some questions, and 2:30 would be all right.

Chairman RICHARDS. Can you be back at 2:30, Mr. Cabot?

Mr. CABOT. Yes, sir.

Chairman RICHARDS. Fine. The committee will adjourn until 2:30. (Whereupon, at 12:40 p. m. the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:30 p. m., the Honorable James P. Richards (chairman), presiding.

Chairman RICHARDS. The committee will come to order, please.

Mr. Cabot will continue his testimony.

Did you have an opportunity to question Mr. Cabot, Mr. Burleson?

Mr. BURLESON. I do not have any questions.

Chairman RICHARDS. Mr. Roosevelt.

Mr. ROOSEVELT. Mr. Cabot, there are two points I would like to take up in my 5 minutes. First, if we can get back on this organizational problem, when we had the problem of defense mobilization come up after the Korean war started a year ago, we had two courses open to us.

One was to follow the course the President followed and the Congress followed in appointing a defense mobilizer, Mr. Wilson, directly at the top of the mobilization structure. The other, of course, is that he could have appointed Mr. Wilson and put him over in the Department of Commerce under the Secretary of Commerce to coordinate the efforts of a lot of different existing agencies in the mobilization work.

It seems to me that is a parallel to what we are facing now in this whole foreign aid, economic, military, and technical. Whether it is for greater efficiency or whether it is for perhaps greater kudos in the international effect of the program, it seems inescapable but that it would be advantageous to have today a counterpart to the defense mobilizer on the foreign military, economic and technical program.

You seem to be now more or less the director general of the program, but I think the general feeling of the committee is that you ought to be given more kudos, more international stature.

We have asked a number of other witnesses about this organization problem. I think Mr. Foster and Mr. Acheson have expressed themselves fairly clearly although not expressing preference for any particular alternative. Nobody really seems to have done a complete study of it in the executive branch of government.

Rather than ask you to go into it now, I think it would be very helpful if perhaps at a later hearing you would go into the relative merits of two or three ideas that have been suggested by Mr. Acheson and Mr. Foster, and some of the members of the committee, because I think you are the key fellow who could give us the best advice on the problem.

The other problem is the one you referred to on page 3 of your testimony, that if we carry out economic aid, or if we cut down on the economic aid at this point, we may find we are expending a great deal more money 2 or 3 years from now on military aid because we will be paying for more end items.

Have you any concrete examples in a factual sense of what it might cost us if we cut down on any one phase of the program in later years?

(For supplementary statement by Mr. Cabot on the organization of M. S. P., see appendix.)

Mr. CABOT. It would be hard to give specific examples which would mean much. We could give examples which would show a very great leverage from economic aid.

We have a technique, as you know, called the AMP—additional military production—under which in order to stimulate the production of military end items in Europe we financed the dollar import costs of those items to foreign governments, and told them to go ahead with a specific program of making some specific item of munitions.

We found that relatively ineffective, because the hard currency fraction is usually a very small part of the total cost. If you give only a part of the cost and the foreign government has to find the rest from its budget, then it really becomes just a budgetary problem for them to go ahead with the production. Yet I could use that as an example.

There were many of those projects, of course. I used them as examples where economic aid directly supports military efforts.

I think as a general rule we can say economic aid is multiplied in its effects on military efforts.

Mr. ROOSEVELT. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Chairman, I wanted to follow two lines of thought, if I may. Perhaps I can ask unanimous consent for a minute or two more.

Chairman RICHARDS. You will not have to do that now. You are the last member we are calling on. Then we will have unlimited discussion.

Go ahead, and then we will move up the table.

Mr. HERTER. The first question follows somewhat Mr. Roosevelt's last question. Let us assume that you have countries each of which has a different type of problem from the other. Take, for example, the British problem, the French problem, and the Greek problem.

You are asking for economic aid as well as the military aid. In the case of the British, it is not anticipated any economic aid will be required, but their position on balance of payments is such that at the moment they do not require further economic aid but some end items of military aid, is that correct?

Mr. CABOT. Yes.

Mr. HERTER. In France the balance of payments is such that if it was not for the fact that you were pushing them into a military line of production, which in turn takes away from the earning capacity in dollars, to buy raw materials and produce consumer goods to maintain their standard of living, they would not require economic aid, is that not so?

Mr. CABOT. That is correct.

Mr. HERTER. So whatever the figure is, 300 millions roughly, of economic aid that you are asking for for France is essentially economic aid to stimulate their military production and equalize from the point of view of their standard of living the sacrifices they have to make to turn their productive capacity to military purposes?

Mr. CABOT. Yes; also the fact that they are taking a good deal of manpower into their army and the military budget costs rise sharply by reason of their other military activity, principally the war they are fighting in Indochina, which has a very great impact on their general budget.

Mr. HERTER. Correct. But it is military reasons that have made the impact on their budget; otherwise, you would have considered from the ECA point of view that further aid was over and done with. So the economic aid now is for military purposes, generally. I think that is a fair statement, generally.

When you get to Greece, you have a situation where the economy is essentially so thin that if the country is maintained at all as a going concern, you have to continue with economic aid regardless of any military consideration, is that not correct?

Mr. CABOT. Yes. There are three countries of Europe, I believe, possibly more—Greece, Trieste, and Austria—where the economy would not be able to support itself even without substantial military build-up.

Mr. HERTER. Coming back to France for a moment, in the French picture, if you are going to put in the equivalent of some 300 millions in economic aid into France, that is not really the whole picture.

That is, we have not before us, for instance, the aid that might be required from the United States for the infrastructure operation. That has not come before us in this picture and is not in the bill.

Mr. CABOT. It has not yet been decided how the infrastructure is going to be handled. It refers to those military needs which are common to a number of armies of different sovereign powers.

The problem of who pays the cost is an extremely complicated one. It has not yet been decided what budget of the United States, if any, will stand what part of the cost of the infrastructure.

Mr. HERTER. That has not come before any committee of the Congress?

Mr. CABOT. I would have to check on that.

Mr. HERTER. There is now a bill before the Armed Services Committee dealing with the problem of bases. I did not know if that tied

in with Iceland, Greenland, and so on. Do you know if the infrastructure included that?

Mr. CABOT. I would prefer to have one of the military men testify on that. I can say we have a great many bases that are used wholly or almost wholly by the United States Air Force which will not be financed multilaterally by the various countries of NATO.

Mr. HERTER. Has an agreement been reached as far as the British picture is concerned? Perhaps we should consider that in executive session. I wonder what funds there are to be for the British picture.

Mr. CABOT. It does not come from MDAP funds.

Mr. HERTER. It does not?

Mr. CABOT. No.

Mr. HERTER. So it is not going to come before this committee?

Mr. CABOT. No, I presume not. It does not come before this committee.

Mr. HERTER. We are getting into a curious zone where a part of the program is going to other committees and a part of it is coming here.

I wanted to get straightened away on the military aid and economic aid.

Mr. CABOT. May I revert to that last answer. You are speaking only of England. My answer is correct; economic aid is not specifically provided in our present Mutual Security Program to contribute toward the building of bases in Britain used wholly by the United States.

If you were dealing with France, the economic aid might help the French contribute their share of the cost of some of these bases, which they would help pay for.

Mr. HERTER. That is what I was by indirection getting at. The economic aid to be given to France is essentially to improve her dollar position, which she is sacrificing as a result of her military effort; is that not true?

Mr. CABOT. That is right.

Mr. HERTER. Is it not possible that if the military in its procurement problem had the authority to spend a part of its money off-shore, and contributed, let us say, in this over-all picture in Europe from the point of view of stimulating military production by putting X number of dollars in there, it might in part take care of the economic picture that you are worrying about?

Mr. CABOT. That is certainly true. That is taken into account in the predilections on which we predicate the economic aid. The money that is spent directly by our Defense Establishment in Europe, and the indirect money which will be spent by our soldiers who are in Europe, is taken into account in figuring the balance-of-payments deficit, which is one of the principal factors in determining economic aid.

Mr. HERTER. Then, in determining that, this \$300 million to France might possibly go into a pool or something of that kind, which would allow you, for instance, to finance a Belgium gun operation, so that a number of countries could share in that through the use of a certain number of dollars in a pool, in order to make it possible for one country, like Belgium, say, to produce for a number of countries in Europe.

Is it possible that the dollars might be used that way?

Mr. CABOT. It is possible. That leeway is given in our bill. That has had a great deal of study in the executive branch of the Govern-

ment, to see how would be the best way to stimulate the production in one country for use in another country of military end items.

Mr. HERTER. Taking this rough figure of \$300 million for France, how much of that would you say would go directly into military production? Assume that the best thing that you could do would be to spend the whole amount of it in order to get that \$300 million in dollar exchange in France, that all of it were to be used on either equipping through machine tools or in purchasing end items in France itself, would you feel that you had the situation in hand?

Mr. CABOT. I do not think you can tell what part of the \$300 million goes into military production, because the economic aid is used for a number of purposes. It cannot, of course, be used more than once.

It is used to help the French maintain a high military budget. And their military budget is necessary in order to maintain the divisions, and in order to pay for the individual equipment which they produce entirely themselves, or procure from other European countries, and in order to provide facilities for the production of hardware. It is the same kind of hardware in many cases that we are including in our military end-item programs.

But we do make a part of our policy that we will not give military end items which can within a reasonable time and reasonable cost be produced in the recipient country.

Mr. HERTER. Presumably out of the military budget of the French expenditures, if it is brought to the point where it should be, it will contain a considerable sum of money for replacement parts or end items that are approved by the military, whether it be jeeps, half-tracks, guns or what-not, it will come directly out of the French budget.

What I am driving at is this: If you use a considerable part of that \$300 million through placing contracts it will relieve the French budget of a part of that picture and put that dollar equivalent into the French economy.

Would you not accomplish your purpose as effectively as in little bits spotted all over, trying to bolster the French economy?

Mr. CABOT. Your suggestion may be summed up, that our Military Establishment procure in France with the \$300 million, instead of giving grants of economic aid.

I think then you would not have \$300 million added to the French budget which could be used for other purposes. You would not have the counterpart of it.

Mr. HERTER. You would have the equivalent in the French budget still and available in France. It would be the French Government spending it rather than you yourself checking it in counterpart funds. Is not the economic effect almost identically the same?

Mr. CABOT. I think it is substantially the same. You cannot use the same money twice.

Mr. HERTER. What I am trying to get at in all of this is that if your economic effect is the same in keeping France in balance from the point of view of our dollar economy, and at the same time keeping the standard of living at a reasonable level, so that you are not forced to turn too much of the production away from military production, do you not arrive at almost the same formula, doing it this way, instead of really going at it by indirection in helping little segments of the economy and getting the dollars that way?

Mr. CABOT. Well, we have various criteria by which the economic aid is judged. Mr. Bissell will later testify on that subject.

I think if you limited economic aid to the procurement of military equipment, that then you could not use it for many other purposes, which would be very desirable from the United States standpoint.

Mr. HERTER. Yes; you can only use it once. If you are getting the same end results and you are getting them by different means, you are still making effective use of those dollars, and possibly you get your entire military productive capacity of France built up faster by that method than going at the thing by indirection, which is bolstering little segments of the economy all over the land and having the French take out of their military production budget so much more.

Mr. CABOT. When you give money for off-shore procurement, as we call it, there is no counterpart created. When you give money for the purchase of commodities which can be sold to the people of France you get a counterpart, and that counterpart can be used for various purposes, such as helping the French budget, which is used to produce military equipment.

Mr. HERTER. If your off-shore procurement is turned over to the French Army, you are relieving the French military budget, and you are in effect doing exactly the same thing, except you are letting the French Government spend the counterpart money rather than by agreement between yourselves and the French Government?

Mr. CABOT. That is right. Therefore, it may not be used to build up productivity, but just for existing facilities, which in the long run do not do as much good from the United States standpoint as the direction of the use of this counterpart funds toward things which are more productive.

Mr. HERTER. Again, the reason I raised the point is that it is inevitable, no matter who are the ECA operators, if the French have \$300 million to spend on the French economy, every sector will want bolstering from that \$300 million, and that primary objective of increased military production, from the point of Europe being eventually able to defend itself is concerned, might lose a part of the effectiveness of the aid which is given.

I am trying to find out whether or not we might be more effective with the same number of dollars by doing a straight off-shore procurement job rather than doing it by the old ECA method, which has proved very effective.

Mr. CABOT. That has had a great deal of consideration. We are doing some off-shore procurement. We have a feeling, at least the members of my committee, that there are dangers in a large amount of off-shore procurement, because of the disincentives involved.

Mr. HERTER. Obviously if you did it you would have to insist that the French Government do its share in any case, and not lay the whole baby in your lap.

Another thing: Can you point out to us the passage in the MDAP where there is provision for the off-shore procurement? We understood it was in there, but we cannot find it in the document.

Mr. CABOT. I think there is no limitation as to where the purchase is made by the armed services under the Mutual Security Program. That is my understanding.

Therefore, the armed services who do the procurement for the Mutual Security Program could buy in Europe as well as in the United States.

Mr. HERTER. Does that apply to ordinary military appropriations everywhere; if there is nothing said about that, can you buy off-shore?

Mr. CABOT. I will refer that question to General Scott.

**STATEMENT OF MAJ. GEN. S. L. SCOTT, UNITED STATES ARMY,
DIRECTOR, OFFICE OF MILITARY ASSISTANCE**

General SCOTT. As I remember it, this subject of off-shore procurement was discussed last year before this committee. It was indicated at that time that some money may be used for that particular purpose. Legally, I believe it can be done.

Mr. HERTER. I assumed it was legal. I was told definitely you had permission for off-shore establishment, but I could not find it.

General SCOTT. There is a procurement organization now operating in Europe under General Handy's command. This organization has been buying in Europe for several years.

Mr. HERTER. That is in part for your own production here in the United States?

General SCOTT. I do not quite understand the question.

Mr. HERTER. In part, are you buying small items that piece in with your own production here?

General SCOTT. That is right.

Mr. HERTER. That does not mean that the end item goes to Europe and may be used over there?

General SCOTT. What they are buying in Europe now, they are using in Europe.

Mr. HERTER. What procurement?

General SCOTT. I am speaking of off-shore procurement.

Mr. HERTER. It is the MDAP and not the regular military procurement?

General SCOTT. There are two types of procurement—according to authorization—procurement for the services and procurement for MDAP.

Mr. HERTER. When you procure for the services, you procure from regular appropriations?

General SCOTT. That is correct.

Mr. HERTER. It has always been explicit in those appropriations that you could do off-shore procurement?

General SCOTT. In the service regulations?

Mr. HERTER. Yes.

General SCOTT. I think there are certain restrictions or limitations. Food, I believe, is involved in the law that permits such procurement.

Mr. HERTER. I could not find that.

General SCOTT. It is my understanding that there are certain legal limitations. But I believe that they are buying ordnance items, replacement items, spare parts, fresh vegetables, probably cloth of various types in Europe.

If you want details of that, I can give it to you.

Mr. HERTER. Is that for servicing of our own troops?

General SCOTT. I believe that is right.

Mr. HERTER. None comes back to the United States?

General SCOTT. That is my understanding.

Mr. HERTER. I merely raise that point because I think you have an in-balance there. In a type of country where you do not have

the balance-of-payment problem, like France or England, that is one thing, but you have a different situation where you are not going to use the money again.

Take Belgium, for instance. You are asking for a certain amount of money for Belgium. The balance of payments recently have been extremely good. There again the end-item orders in Belgium would be the most effective, it seems to me.

Mr. CABOT. All of our programs are based on a military budget, which we think is the highest which it is politically and economically feasible for the recipient countries.

If the budget is not as high as we have predicted, then presumably the aid will not be as high as we are predicting.

Mr. VORYS. Will the gentleman yield?

Mr. HERTER. Yes; if I may be allowed one more question.

Mr. VORYS. Go ahead.

Mr. HERTER. Go ahead, Mr. Vorys.

Mr. VORYS. Right at that point, is there anything in the law or in the proposed draft of the law that would require what you say?

You say they are to use 10 percent of their national income for military, and you say to country X, "If you will come up to the 10 percent, we realize that will affect you by so many million dollars, but insofar as you come up we will aid you. But we are not going to give you the aid and have you fall short in doing your part."

The only provision that I can think of in the ECA law that expresses that thought is "continuity of assistance depends on continuity of cooperation."

Chairman RICHARDS. Will the gentleman yield there? I thought this law provided for a transfer of funds. There is no provision that the countries do those things.

Mr. CABOT. I think I can explain that. There is nothing in the act which states the criteria which we shall use in determining the amount of economic aid.

I do not think you could state it in law, nor could you predict in advance just what criteria are going to be given what weight. It is too complex. It is not only the criteria of the balance of payments, the amount of military aid, the amount of gross product that goes into the military budget, but there are criteria as to the number of divisions that are committed to NATO, there are criteria such as the amount of fighting that is being done in other areas of the world, such as Korea and Indochina. There are other criteria that at the moment I cannot think of.

Mr. VORYS. Of course, in both laws the President has the right to withhold or cut down on such aid for any failure of the other country, but he never does it. But, although we hear that both in NATO and in ECA we are disappointed, Eisenhower and Foster are disappointed, with the response of these countries in doing things that are so obviously in their own interests as well as ours, in no case that I know of except for a short time with Holland has aid ever been suspended.

Am I correct in that?

Mr. CABOT. No, Mr. Vorys. I am afraid I cannot agree with you on that. I think we could find a great many instances in which the aid has been curtailed or set at a level lower than had been anticipated by reason of our disappointments in performance or feeling that a

country was not assuming as large a burden as we had anticipated at the time when we made up illustrative programs of aid.

Mr. VORYS. Belgium, for one.

Mr. CAHOT. In fact, I might say in my office we are almost constantly concerned with memorandums concerning the level of effort of the various countries with which we are dealing, and the bilateral negotiations with those countries to stimulate them to greater effort.

Chairman RICHARDS. Mr. Herter, you had one more question, you said.

Mr. HERTER. General Scott was speaking in terms of contracts for end-item replacement parts, and so on. Does the military sign those contracts?

General SCOTT. The military enters into such contracts.

Mr. HERTER. The military does negotiate the contracts?

General SCOTT. That is correct.

Mr. HERTER. So that you have been doing it yourself for the services?

General SCOTT. We have been doing it both for the services and for MDAP.

Chairman RICHARDS. May I interject there, General, are you talking about end items or end items and other things?

General SCOTT. Well, both.

Chairman RICHARDS. Both?

General SCOTT. Yes.

Mr. VORYS. Vegetables are end items, are they not?

General SCOTT. Vegetables are end items in that they are complete without further processing.

Mr. JUDD. Spare parts and asparagus.

Chairman RICHARDS. A part is not an end item, is it?

General SCOTT. We do not consider it as such.

Chairman RICHARDS. What vegetables are you talking about?

Mr. VORYS. He talked about buying vegetables over there in Europe.

Mr. HERTER. May I ask a second question, sir? There is another question that is bothering me a great deal in connection with the organizational structure we have been talking about. This is mostly overseas. The most disturbing problem I think any of us have to face now is the question of trying to get some order of production within the 12 countries that begins to be of a size that you think is adequate to do the job; and, secondly, that dovetails into an over-all pattern so that each country is not duplicating what the others are doing, and so that each is doing what it is best qualified to do for the benefit of all the NATO countries.

The production experts we have overseas are split right in two between the London organization and the regional office of the ECA that sits in Paris under Milton Katz with a number of production experts. You have an international organization that Herod is in charge of, and that Bill Batt is the American representative of. That entire production organization from every ar of any kind whatever. It can do nothing but recommendationally, it is split, and our experts are divided betw

When you get all through with it, the only leve getting anything done is ECA funds. Is that not

Mr. CABOT. Yes; substantially correct. I do not consider that military end items are really a lever. Is that the word you used?

Mr. HERTER. Yes. If you just deal with military end items and you hold back on them, then you are cutting off your nose to spite your face. The problem is to get military end items in the hands of as many people as possible in as short a period of time as possible, so when you withhold on those in order to punish somebody it hurts both sides. The rest of the world must think that this is very funny with these disputes going on and nothing being done to accelerate the whole program.

However, on this organizational thing it would seem to me it is awfully bad organization to have Bill Batt trying to build up an American corps of production people in London, with Milton Katz having a corps of production people in Paris, and essentially operating under two separate organizations. You have to take Bill Batt's ECA hat off the production man in London and put him under SUSREP, an entirely different entity.

Is there not any way of putting our effort in the international production field on a better footing with a little better grant of authority, in order to get things done?

Mr. CABOT. May I consider your questions in various parts?

At first you referred to the production level in Europe. I think we can point to a good deal of progress. In production for use within the country where it is produced we have made a great deal of progress. Perhaps not satisfactory progress, but we have about doubled the production within the past year. I am not now as well satisfied with the production in one European country for use in another country of military end items. That is a much more difficult problem and one to which we have given a great deal of thought.

As to the organizational problem, Batt is the United States representative on the Defense Production Board, which is a 12-man board, and in which the 12 NATO countries are represented. Under that board there is an international staff headed by Mr. W. R. Herod, and it is he who is building up a team of production experts.

Mr. HERTER. But the international staff, as you know, consists very largely of Mr. Herod and a few people borrowed from Mr. Batt, and that is the entire international staff at the moment.

Mr. CABOT. He is setting up an international staff. It is not very large as yet, but he has not been there very long.

Mr. HERTER. Yes.

Mr. CABOT. I can agree with Mr. Herter that the difficulties of doing this production job multilaterally are very great indeed, and we have met with a certain amount of frustration in trying to do this job multilaterally by reason of the fact that the DPB and the Coordinator of the DPB, Mr. Herod, are merely advisory. They have no money with which to carry on their plans. They must carry them out through the 12 governments.

Ambassador Katz in Paris has economic aid, or he can at least get economic aid, being one of the most important members of the ECA, and can, therefore, do more to stimulate production than can be done multilaterally at the present time.

However, I feel that there is very good coordination between Mr. Batt and Mr. Katz through the Economic Coordinating Committee.

It has been suggested that there should be a command relationship rather than a mere coordinating relationship in Europe, just as you gentlemen have suggested that there should be a command relationship in Washington between the various parts of this team.

I personally feel that you run into just about as many difficulties in a command relationship as you do in a coordinating relationship, but I do not say it cannot work in a command relationship. I only say we are getting along fairly well in most areas in the present coordinating relationship, and particularly here in Washington.

Mr. HERTER. I think the impression of most of us who went over was that the quality of the individual dealing with these problems was extraordinarily high, but the organizational set-up, particularly the split between London and Paris, was very unfortunate.

Again, this command relationship we are speaking about, and having the use of the effective weapons, which in many cases has developed as something to stimulate things with, has not been coordinated satisfactorily in developing these multilateral relationships.

Mr. CABOT. May I speak of the locality problem for a moment? The reason Ambassador Katz is in Paris was that historically Paris was the point at which we carried out the European end of the Marshall plan. There was set up in Paris the OEEC—the Organization for European Economic Cooperation—which has been extraordinarily effective in integrating the economies of these European countries.

We felt that to move Ambassador Katz—the OSR, as it is called—from Paris to London, would seriously interfere with his relationships with the OEEC, and that is why Katz has stayed in Paris. The other is in London because the DPB was set up there, that being the headquarters of NATO.

There are many advantages to DPB and Mr. Batt staying in London, both because it makes it easier for him to work with the head of the team, Ambassador Spofford, and because the head of the military regional group, General Kibler, is located in London.

Mr. HERTER. For what it is worth, I think we had a feeling very strongly that if both Spofford and the production team came to Paris it would make a much better integrated set-up. After all, the JAMAG in London is operating largely as a clearing house of information on military end items, and I do not think that was necessarily as important in Paris.

Certainly from the point of view of shipping they could well remain in London, because that is the obvious place for shipping information. I think if you could bring together all the members of this team at one spot, even though they have been coordinating extremely well with each other, in my mind it is not a good organizational set-up at all, and you can make very real improvements in it.

I realize all the difficulties you have had in having them separate and some of the objections to bringing the whole NATO group to Paris, but I still think they ought to be all together and all in one place, if just from the viewpoint of not having people traveling back and forth day after day after day in trying to maintain a coordinated operation.

Chairman RICHARDS. Do you want to say anything about that?

Mr. CABOT. I think Mr. Herter made a very careful study of this problem, and he certainly sees the aspect of the problem. There is

not any easy solution, however, You cannot move everything to London, or everything to Paris. So long as you are going to have the split there is no easy place at which you can split the different parts of the team. We think we picked the best place to split it.

Mr. HERTER. I felt particularly strongly about the production thing which is the thing that really needs more of a spark plug than any other part of the operation, and the thing that really needs some gimp in it. If you bring that all together I think it would be very important.

Chairman RICHARDS. Did either one of you gentlemen, Mr. Hays or Mr. Holifield, have any questions right now?

Mr. HOLIFIELD. No. The only reason we are leaving is because they are voting on that amendment now. I wonder if we could have a temporary recess on that and then come back.

Chairman RICHARDS. We can do that. When was it set for? Was it 3:30?

Mr. HOLIFIELD. Yes.

Chairman RICHARDS. We can recess for 15 minutes.

Mr. VORYS. Are there any further questions? I wonder if we should hold Mr. Cabot longer.

Chairman RICHARDS. Is there any necessity to hold Mr. Cabot here any longer this afternoon? If anyone has a particular question he or she wishes to ask they could do that now and we could complete it at this time and not come back.

Mr. JUDD. I have one short question, Mr. Chairman.

Chairman RICHARDS. All right, sir.

Mr. JUDD. Would it not be possible for Mr. Batt to have his two activities in London in one office if he is going to be kept in London? I realize he has two hats. Why cannot one staff do both jobs instead of two separate empires?

Mr. CABOT. He has only one staff, I believe, Mr. Judd. His staff in the ECA is a fairly important staff. In the DPB he is the American representative on an international board. He has it all from one office.

Mr. HERTER. He has 37 men in his office in his position as production representative.

Mr. JUDD. That is what I thought. I understood he had two separate offices and staffs.

Mr. HERTER. They are in entirely separate buildings and there are very considerable staffs for each.

Mr. JUDD. Every Congressman has two or three jobs. We have to attend to legislation, we have to attend to constituents and we have to attend to dealing with agencies, and we do not have three offices for them.

Chairman RICHARDS. Let me say this, Mr. Cabot. Mr. Herter, Mr. Battle, and a couple of other members went over on this special study. They stayed in Paris and in London a week making an exhaustive study of these points. In this report we brought back some of the recommendations on how to do away with certain overlapping and, you might say, dual agencies. That is the reason why I imagine he is raising that point.

Mr. ROOSEVELT. Why replace Mr. Katz? Why not put Batt in there and join them?

Mr. JUDD. Why put a new man in Mr. Katz' office? Why not move Batt up to that office and combine it and let him handle the whole thing.

Mr. CABOT. I would prefer that question be answered by ECA as I have no administrative control over the appointment of successors to Mr. Katz.

Mr. JUDD. We are not talking about individuals. We are asking: Why not eliminate one job there? There are two jobs, or at least two aspects of the same job, and one is more inclusive than the other.

Mr. HERTER. But Mr. Batt is directly under you when he wears the hat of a production expert.

Mr. CABOT. No, sir.

Mr. HERTER. In the NATO organization he is your particular baby.

Mr. ROOSEVELT. He is under Spofford who, in turn, is under the Secretary of State.

Mr. VORYS. I think you need another coordinator to coordinate Mr. Katz' two functions. That is what we need.

Mr. ROOSEVELT. I think we need an ISAC or coordinating committee for the committees of Congress too.

Mr. JUDD. The point is this: Any opponent of this whole program can go down and by merely showing all these charts on the floor of Congress can lose 50 votes for the bill. I think I could do it with the general public. People would look at that set-up and say, "That is what I am paying for? Maybe it makes sense but I can't see it." Even though the functions remain, you can simplify it—

Mr. ROOSEVELT. But you are not a demagogue. You would not do a thing like that.

Mr. JUDD. No, I would not but somebody could and I am afraid somebody might.

Mr. CABOT. Might I correct a misapprehension as to Mr. Batt's position which seems to be prevalent here? Mr. Batt is not under Ambassador Spofford except to the extent that Ambassador Spofford is the leader of the regional team. Mr. Batt took his appointment as head of the Defense Production Board from the Department of Defense.

Mr. HERTER. From the Munitions Board.

Mr. CABOT. And his backstop is the Munitions Board. Mr. Katz is from ECA so that the relationship between those two gentlemen is one that heads up in the President of the United States.

Chairman RICHARDS. Dr. Eaton would like to ask a question.

Mr. EATON. Like all the committee we are greatly impressed with your grasp of the problem. You use the phrase, "foreign policy objectives." Could you give us in a word or two what those objectives are?

Mr. CABOT. Yes, sir. I can in a word or two. The security of the United States.

Mr. EATON. That is the whole show?

Mr. CABOT. I think that is the only real foreign policy objective we have.

Mr. EATON. That is our activating motive?

Mr. CABOT. Yes, sir.

Chairman RICHARDS. Thank you very much, Mr. Cabot. You have been a mighty informative witness and we appreciate your coming up here. If we should need you at a later time we will try to give you notice.

The committee stands adjourned until 10 o'clock tomorrow morning. (Whereupon, at 3:35 p. m., the committee adjourned until 10 a. m. the following day, Friday, July 13, 1951.)

THE MUTUAL SECURITY PROGRAM

FRIDAY, JULY 13, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 2:30 p. m., the Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

We will now have as our witness General of the Army Omar N. Bradley. We are very glad, General, to have you with us this afternoon. Will you proceed, sir.

General BRADLEY. Mr. Chairman, if it is all right with you, I will read this statement and get it into the record.

Chairman RICHARDS. Yes, sir.

STATEMENT OF GENERAL OMAR N. BRADLEY, CHAIRMAN, JOINT CHIEFS OF STAFF

General BRADLEY. Mr. Chairman and members of the committee, you have heard testimony on the world situation; the economic, technical, and military needs of the free world; and the United States relationships to them. I would like to add a brief statement on what the Mutual Security Program means to this country from the military viewpoint.

Two years ago the Department of Defense urged this country to join the North Atlantic Treaty, and to establish a corollary program of military aid in order to give real military muscles to our defense plans.

Fundamentally, we joined the pact as a deterrent to war, and as a protection to the free world if war were thrust upon us.

As military men we looked at the treaty and the military aid program from the viewpoint of its military necessity, and its contribution to our own security.

We needed allies, and at the same time we wanted to deny those free nations to any aggressor who would try to include them among his satellites. Through the treaty, we combined the military efforts of more than 300 million people in a collective security pact.

We also counted on the industrial potential of our 11 friends which, when added to ours, was a critical factor in our hopes for the future security of the Western World.

We stressed the point that the frontiers of our collective defense were in the heart of Europe, and that, consequently, the geographical position of these allies contributed to our security.

We still hope to deter aggression, and these same factors are valid today.

We still must have friends. Our security demands that the Soviet-satellite combination be prevented from picking off any more nations. The free world still needs the industrial potential—the resources and skilled labor—of all of our combined nations. The United States defensive frontiers to the east remain in the heart of Europe.

In planning the military aid program with the other member nations of the treaty, we have considered their most important requirements along with the weapons and matériel requirements of our own forces. Both the treaty and the aid program are integrated, collective security efforts.

You are now considering further expenditures to continue the economic and military aid for friendly, needy nations throughout the world. It is again time for a critical examination of the program so that it will do the United States and the free world the most good.

When we gage the progress being made, we have to examine the treaty and the Mutual Defense Assistance Program together in order to get a true picture. Looking over the accomplishments of the first 2 years, I am encouraged to recommend that we continue, and possibly enlarge our participation.

The tension in this world has not decreased, and the North Atlantic Treaty Organization is even more important today than it was 2 years ago. As far as the North Atlantic area is concerned, there is no direction to go but forward.

In this day and age, collective security requires a collective effort on many fronts. It requires economic cooperation, industrial cooperation, international political trust and confidence, as well as collective military planning. We have made strong beginnings in all of these fields.

Except under the pressure of war, or under a dictatorship, no group of nations has ever before collectively planned their defense, integrated their weapons programs, and allotted forces to an international commander. This feat stands as a marvel of accomplishment.

Without American leadership this would not have been possible. It is also to our credit that this 12-nation defense system has evolved without duress or pressure from the leader nation.

Now, the North Atlantic Treaty Organization must develop, equip, and effectively train, the forces that our collective defense plans require.

The creation of effective forces is the major military problem facing us today. Some of your committee members have just returned from a trip to Europe. Undoubtedly they have talked over some of the specific problems involved, and have undoubtedly seen the gains we have made, as well as the gaps that still exist. In my recent talks with General Eisenhower and his staff, the French Chiefs of Staff and the British Chiefs of Staff, we discussed these problems.

On the military front, it is apparent that the North Atlantic Treaty forces can only be equipped quickly by further assistance from the United States industrial capacity.

The items represented in title I of this bill total more than \$5 billion required for this task. Title II, totaling approximately \$415 million, is for Greece and Turkey whom we have already aided for 4 years, and whom we hope some day can be included in the North Atlantic Treaty Organization.

Title II also includes essential military aid for Iran. The program for Iran has been a part of our assistance to the Near East and Africa, since the military aid funds were first appropriated.

We are also asking for authority to grant aid to the other free countries of the Near East and Africa if it becomes necessary to our security to do so.

There is a gap between the forces we have now and the forces General Eisenhower needs for an adequate defense of Western Europe. First priority must be given by all nations to the task of making the forces we have now really effective and ready for combat. In the case of European nations, this task could not be accomplished quickly enough without a sound military aid program from the United States.

In addition to making truly effective the forces we have now, the rest of the forces we shall need have to be mobilized, equipped and trained. There is no hope of accomplishing the remainder of the job in the next few years without continued military aid from us.

As you already know, the military aid part of this Mutual Security Program takes two forms: direct provision of end items of military equipment, and also assistance in the form of machine tools, production tools, and other essential items to help them rebuild their armament industries.

I would like to expand on the last sentence a little bit to make sure it is understood. In other words, the aid which supports European military efforts is not only in the form of end items produced in the United States, but also in the form of economic aid provided for in the ECA part of this bill.

In other words, the ECA part is to establish some war industries as well as helping along other lines to assist the European governments to build roads, ports and airfields, while feeding and housing their forces. That is the reason for that sentence, if it needs any further explanation.

As we consider the collective security effort we are making with our allies, there are two questions uppermost in American minds. Will there be time for us to make the defense of Western Europe effective? And are the other members of the pact contributing a fair share?

To answer the first question of time, I must honestly state that no one knows.

Two ideas come to mind, however, when I hear this question asked. First, we set out upon this program to improve the defenses of the North Atlantic area as a hope that it would act as a deterrent to war.

Despite the Communist propaganda at the time of the signing that the Organization of the North Atlantic Treaty would be considered an aggressive act, so far the Soviet-satellite combination has not moved in Western Europe.

As long as we have time to do so, we must continue to apply every effort to making the collective defense a continuing and stronger deterrent to aggression.

The second thought this question brings to mind is this: If we continue to make an effort to strengthen the North Atlantic Treaty Organization and prepare our collective defense, we will be better prepared if war is thrust upon us.

The other alternative—not continuing to give every aid we can to the collective-security effort—can only lead to a defenseless and supine military position.

The second question: Are the other members of the pact contributing a fair share?—is an equally difficult one.

From my conversations in Europe, I am convinced that the military men of these nations are working steadfastly to contribute everything that they can. The great increase in their military budgets this year over last year would also indicate to me that they have every intention of continuing to improve the state of their own defenses, and continuing to make a maximum contribution to the collective defense security effort.

As many of you heard during your recent visit to Europe, France is perhaps the key nation in the North Atlantic Treaty Organization. My discussions with the French Defense Minister, the French Chiefs of Staff gave me every indication that France has increased her defense effort and expects to increase it still more.

In the defense of Europe, France is a key nation. Her needs and her problems are typical. For France, and for the other nations, our military aid program should soon enable our European friends to manufacture their own spare parts and maintenance items.

To defend Europe tomorrow, they all need end items of ready equipment. But to defend Europe 5 years—and I use 5 years not as an exact figure, but figuratively—from now, and to give them the security of their own making, they need armaments industries.

This long-range investment which is an integral part of this program, will ultimately decrease their dependence on the United States.

It is obvious that the bulk of the weapons for the defense of Europe currently must be provided by the United States; but this can only be accepted as a temporary condition.

In due time the security forces of European nations will have to be maintained by the Europeans. If we help them plan their rearmament wisely, the future requirements for spare parts and maintenance of these forces should largely be met by the European nations themselves.

Just as much as we would dislike having them permanently dependent on our production, they would dislike the long-range possibility of continually leaning on us.

So for this year, we must do both: Give them the end items, and encourage the development of their own armament industries toward a self-sustaining basis.

Because ECA has done such a marvelous job, both as to morale and the improved economy of the recipient nations, there might be some tendency to slack off now, especially when we are faced with the larger military aid program.

I believe it is wise to point out that many of these economic programs contribute materially to the potential industrial development that will enable these nations to assume more of the rearmament load for the longer-range weapons production program.

There is one more encouraging sign in the progress being made by our allies. Many of these nations that started with little or no foundation have made signal improvements in their own armed forces—organizationwise and trainingwise.

Officer and noncommissioned officer schools and training have been organized and improved throughout NATO. New technical developments have been adopted wherever possible. And national military budgets have been increased. All these indicate to me that they are

in this thing to stay, and with every intention of contributing as much as possible to the collective defense.

One of my main purposes in making the recent trip to Europe was to make my own estimate of the progress being made in Europe under General Eisenhower.

As you know, when the appointment of a Supreme Commander was considered, we were doubtful about appointing an American commander for forces that did not exist and could not exist for many months.

On the other hand, it was hoped that General Eisenhower's presence in Europe, and the creation of his command, would be a "shot in the arm" to European morale and European defense efforts. In my opinion, it has worked out this way.

I have been most favorably impressed by the splendid job of organization and planning done by General Eisenhower and the members of his SHAPE staff representing the North Atlantic Treaty Organization nations.

His presence there, and the strong leadership he has exerted, has brought renewed confidence and renewed vigor to our allies in Europe. He deserves every support that we can give him in his difficult task of closing the gap between the forces at hand and the forces we need.

Our effort alone cannot accomplish this, but in combination with the other nations, we should be able to provide a strong and adequate defense of Europe.

I have given most of my attention in this statement to title I—the European section—of this program. However, when we study carefully the information our intelligence provides concerning the Soviet satellite disposition of forces, we immediately recognize that the other areas in this program—the Near East and northern Africa, Asia and Latin America—are also vital to the improved security of the United States, as well as the continuing chance for peace in the world.

The Near East and northern Africa are contiguous to the North Atlantic Treaty area. Our responsibilities of leadership in Asia and Latin America have never been so great before.

Most of them hold membership in the United Nations, and all of these nations represent groups of free men and women who want peace and security, and a chance to improve their ways of life.

This combined program of foreign aid—military, economic, and technical—is a program entirely worthy of a great and generous nation. If it pays off in peaceful years, it will be the greatest investment that any nation has ever made.

Chairman RICHARDS. Thank you, General. I think that was a strong statement of your case.

We will proceed under the 5-minute rule. I have one or two questions I would like to ask.

Our own defense budget outlay this year is more than \$60 billion. In this bill there is more than \$6 billion. Would you care to state to the committee your opinion as to the relative importance of these two items in the defense set-up for security?

General BRADLEY. Mr. Chairman, I think they are so integrated that each one is essential. It is hard to say you can do one and not the other one and still expect to accomplish our purpose.

In other words, the purpose of both of these bills, that is, the defense budget for the Armed Forces and the help to Europe, are all designed to increase our collective security forces to a point where they will act as a deterrent to war.

It is very hard to say that one is more important than the other one.

You might say that if war should happen before this thing becomes effective, then maybe what we spend here at home will be of more ultimate use than what we spend abroad.

But a third world war, with all of its destructiveness, is so great, and the final results would be so catastrophic, that it seems to us that you ought to lump the two and think of all of them as a deterrent which would avoid such a world war.

Chairman RICHARDS. Would you say, taking into consideration the entire world picture, politically and otherwise, that it seems to us that one is as important as the other?

General BRADLEY. Yes, I think they are, sir.

Chairman RICHARDS. General, practically all of this military production, except some items for maintenance and other things, will come out of American industry. That being the case, do you think it would be wiser to do it as it is suggested in this bill, or would it be wiser to allocate a certain percentage of our production in the United States for the military program in Europe, and turn that over to General Eisenhower to allocate to the individual NATO members, and thus possibly get better cooperation by doing that?

What is your idea on that?

General BRADLEY. In my opinion it is much preferable to do it this way: This is a very carefully worked out program, based upon recommendations of the people who do the planning in Europe, then screened by the Joint Chiefs of Staff here, with a special staff set up to study it for them.

And it is also entwined so much in our Government policy that I do not see how you can delegate that to somebody abroad.

Another big point is that General Eisenhower is really an international commander. He is not a United States commander.

To turn over to an international commander a thing which is primarily a United States business, I think is setting a dangerous precedent. Furthermore, he does not have the staff to do it. Of course, you could build that staff up.

Suppose General Eisenhower's successor is a Frenchman or an Englishman. I do not think you would want to do this. I think you must think of General Eisenhower as almost wholly an international commander. And I do not think this is something that you want to turn over to an international commander.

It is so wrapped up in our governmental policy that I think you should keep it here in Washington.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. General Bradley, as to General Eisenhower's status, is he like MacArthur, serving under our Commander in Chief, or is he actually selected by the 12 nations and, therefore, he himself is an international commander?

General BRADLEY. He was specifically asked for by all 12 nations of the North Atlantic Treaty Organization. And he receives his orders not from the President but from the standing group of the North Atlantic Treaty Organization. So, to that extent, to answer your question, he is not in the same status as General MacArthur.

Mr. VORYS. He was not appointed by our Commander in Chief and would not be subject to removal from his present office by our Commander in Chief?

General BRADLEY. I would not go that far, because after all he is an American officer.

Mr. VORYS. He could be retired?

General BRADLEY. They could recall him if they wanted to, if there was reason for it.

In the case of General MacArthur, he was acting as the United Nations commander, under a situation where the United States Government had been designated the executive agent for the operations by the United Nations. That has not occurred in this case. In other words, the United States has not been appointed executive agent for NATO as far as the Supreme Commander of Europe is concerned.

Mr. VORYS. That is what I understood, that there was a distinction. On page 9 of your statement you said:

We must do both: Give them the end items, and encourage the development of their own armament industries toward a self-sustaining basis.

There is a third thing that we must apparently do that we did not know we were going to have to do when this was presented 2 years ago, that is, furnish our own ground forces. You have gone over that in great length before another body recently. I wish you would tell us why it is that we now find it necessary not only to furnish end items, not only help to develop their own, not only as we were informed when the plans started in 1949 to furnish a strategic air force and navy, but furnish ground forces.

General BRADLEY. Well, when this question of additional troops to Europe came up—and I assume you are talking about additional ones because we have always been committed by occupation forces—two questions arose in my mind. In the first place should we, as you say, send troops to Europe? Could they furnish the ground troops and let us help by our mobile forces, air and naval forces?

Mr. VORYS. Plus these gigantic supplies of end items and this enormous economic aid.

General BRADLEY. That is right. I think we would all wish we did not have to furnish it, but I think you have two or three stages to consider. If by sending a certain number of divisions to Europe you made this security force such that it would deter aggression, I think we would all be willing to send whatever that force was, if it was anything within reason.

I think that is one thing we are faced with here that for some time to come we are going to have to furnish a certain number of ground forces in order to make that force a deterrent. Then the question came up and we argued this at great length—and I certainly did with myself—should we send them before this X number of divisions would make it effective. There are a lot of arguments for not sending them until such time as the six divisions, or whatever it is, would make that force effective.

On the other hand, it is just like sending General Eisenhower over, as I stated. It acts as an incentive to these people to exert greater efforts. It shows them we are in this thing really to make it effective, and we are willing to give our own forces to make it effective. We are willing to lend them a commander to make it effective.

So what the answer to your question will be 5 or 10 years from now I do not know. I would hope the answer will be, "Yes", they are now strong enough so that they can hold it until we send them over there after it starts, and we do not have to keep them over there on the ground.

That condition does not exist at the present time, and I do not think anybody can say just how soon it will. I think we hope that condition would exist at some time in the future.

Chairman RICHARDS. Your time has expired, Mr. Vorys.

Mr. Ribicoff.

Mr. RIBICOFF. No questions at this time.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. General, you have a most interesting statement, from which I would deduce that your sense of this whole thing is that we are entered upon a period when the free nations must build themselves a strength sufficient to withstand the onslaughts of those in opposition to freedom, regardless of the cost to all of us together?

General BRADLEY. Yes, I do, because the alternative looks rather black.

Mrs. BOLTON. It certainly is. No matter what the outcome is in Korea there must be no letting down of our efforts to strengthen ourselves.

General BRADLEY. Well, to me Korea indicated that the Russians were now ready and felt themselves in a position to start more aggressive acts—I might say begin aggressive acts of a bigger size, if you want to put it that way, than they had before, with the attendant risk that it might start a world war.

Just because we stopped them in Korea and kept them from accomplishing their purpose, I do not believe we can take that as an indication that they are not going to continue their policy. They have had this policy for years and years. It was taken over from the czarist government by the present Communist government. It is the nature of the people and the nation, and I do not think just because we have stopped them once that they are going to change their whole world-wide policy.

Mrs. BOLTON. As you understand that, it means that their goal is complete domination of the world?

General BRADLEY. That is their intention and, in fact, I believe they have announced that. They have announced that communism and our form of free enterprise and government just cannot live in the world together. As long as they have that, I think we must expect that they are going to continue to try to accomplish their end in some way. If they cannot do it in Korea they will try it somewhere else, and I do not think this is any indication at all that they have changed their minds.

Mrs. BOLTON. Thank you.

On page 11 you speak of northern Africa—the Near East and northern Africa. Are there not other potential strengths and weaknesses in other areas of Africa? It is not just the northern part of Africa that is important to the free world, is it?

General BRADLEY. No. It is the part of Africa which is most immediately under the guns and probably concerned. Of course, south Africa is pretty much in a position to take care of itself. It is, I am sure, one of those countries that we could expect to join us, although

they are not in any treaty organization with us. I believe we all feel south Africa would come in, in any war England comes in.

Mrs. BOLTON. Sometime when I have you alone I would like to discuss a little bit the intelligence aspects of the situation.

Chairman RICHARDS. Is that all right with you, General?

General BRADLEY. Yes, sir.

Mrs. BOLTON. But I would just like to refer for a moment to title II, which takes in the Near East and Africa—north Africa. It is very general and very short. I wondered if you had in your own mind plans that were more detailed in the way of granting aid to the free countries there.

General BRADLEY. We do, and General Bolte, I believe—no, it is another officer, and I have forgotten which one it is now who is going to testify specifically on that and who has gone into all these details. I went into all of these breakdowns last fall, when the Joint Chiefs approved this program, but in trying to read back into it I have not gone into that much detail.

Mrs. BOLTON. But you will cover that?

General BRADLEY. We will have an officer up here who will testify in detail on all of the things involved in the Middle East and north Africa.

Mrs. BOLTON. Thank you very much, General.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. No questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. General, on page 10 of your statement you say it was hoped that General Eisenhower's presence in Europe and the creation of his command would be a "shot in the arm" to European morale, and European defense efforts. Why do you think it was necessary that Europe get a shot in the arm?

General BRADLEY. Well, sir, in my opinion, as I indicated in another way maybe here, France is more or less the key to this thing, and the key to French security forces, in my opinion, is spirit. I think most of us would say—I do not know whether we are right or not—that the French spirit to resist has not been as high in the last few years after having been overrun partly in 1918, and then overrun again in this last war, and they possibly need more of a stimulant or a shot in the arm, or encouragement, or whatever you want to call it, than maybe we would, or some of the people who had not been occupied.

That is what I mean by a "shot in the arm." I have no doubt that France's desire to resist and build up these security forces would greatly increase—and that would come back to the point where they have great national pride in their security forces—if left alone; but we would like to speed that up. I think the presence of General Eisenhower, with his reputation and his prestige—and they know what he stands for—I believe his presence in France will speed up the building up of the security forces and their interest in national security.

Mr. SMITH. I think if any man could do it, he could. It was my privilege to be over there with our group a few weeks ago, and somehow or other I came away with the feeling that General "Ike," as we call him, was acting as a sort of cheer leader for Western Europe.

Now, I would like to suggest why I think they lack this spirit you are talking about, which is absolutely essential if we are going to have

a real defense in Western Europe. In 1948 the standard of living of the French people, that is, the working people, was \$518 per year. After we have poured in the Marshall plan billions we find it is today \$525 per year. So long as we have that kind of a standard of living, can we expect to arouse a people to a fighting pitch? It seems to me that the whole military effort rests on the spirit of the people, and as of this date I do not believe it is there because of this low economic state that the great bulk of those people are in.

General BRADLEY. To me that is one of the questions that arises when you start studying French defense. I do not know of any subject that is more complicated than just that, and that is one of the big elements in it. I went over and got a lot of figures, and I have a lot of figures at home, and I find it very hard to analyze. There are a lot more elements that enter into it, if I might mention some of them.

They have, with the aid we have given them, been able to come back industrially, and they are now producing about 135 percent of what they were able to produce before the war. Well, you immediately ask the question, if they come back that much why can they not convert more of it to building these spare parts and their own matériel and equipment, and so on. Then you begin to look around for that.

I think there are several elements that enter into it. One of them you have mentioned—the low standard of living. Involved in that is the wide difference between the cost of things and their wages. Some people I talked to brought up this question: If you make them, by insisting in some way, by holding conditions over them, convert more of this industrial capacity to war equipment now, and thereby possibly reduce the supplies of civilian goods, may you not still further aggravate the problem by raising the price of the commodities they have to buy out of that \$525?

I do not believe all of that high price is due to the scarcity of materials and the fact that they have not caught up. There are other elements that enter into it.

Far be it from me to get into the political side of this, but I think it is a question as to whether or not something should not be done maybe to lower the profit element percentage. I do not know enough about it to know how much that affects it, but I suspect a lot of people are getting richer; whereas, if they could level the thing off a little more, you would remove part of that.

Another thing that enters into it, of course, is the finance. How much can the Government finance without undoing some of the good?

Another thing is the question of raw materials, which we are all competing for, including yourselves.

However, we get down to the question of, well, if you push them too fast, or if they push themselves too fast and cause this \$525 a year man to have to pay more for his fuel and food, and so forth, may you not force him into communism? Then, instead of having 26 percent Communists, or whatever it is, you may raise it to the point where you lose the battle internally.

So it is a very complex problem, and frankly I do not know what the answer is. I think that is one of the reasons why we are going to have to depend very largely on people on the ground, like General Eisenhower and his staff, and the ECA people, and Mr. Herod and his staff, all working together to try to find out just what is the answer to this problem.

I do not know, certainly, in a short period, with what time I have had to put in on it.

Mr. SMITH. Of course, I think this: Until we begin to devote some time and study to that problem, much of the money we spend for the military will be going down the drain, because we are not going to solve the basic problem involved. I think this is one of the answers to communism, or at least one part of it.

General BRADLEY. I do not think it is going down the drain necessarily. The things that are in this bill are end items for units which are actually being formed, and they will not be turned over to them until they are formed and ready to receive them and the economic aid, all of which goes to making war materials. Certainly that must be coordinated by Mr. Herod and the rest of them that are over there. I do not think this is going down the drain, but I think it is going to be less effective unless pretty soon they convert more of their effort to it.

Mr. SMITH. But these people are the ones who are going to use this end-item material, and until we get the right spirit in them it is questionable.

General BRADLEY. Could I add a little answer to that, Mr. Chairman?

Chairman RICHARDS. Yes, sir. You are talking about the will to fight, are you not?

Mr. SMITH. Yes, sir. I am indeed.

General BRADLEY. It is one of these circular things again as to which comes first, the hen or the egg, because in my opinion this equipment, or getting these units well-equipped and well-trained, and having them well-supplied, and getting the war industries started, raises the spirit, because when these men go home on furlough and start bragging about what a grand outfit they have with these new trucks and tanks, whether the French built them or whether we have built them, that raises the spirit of their immediate neighbors, and that is part of the job. In lifting the spirit of France it goes all together, in my mind.

Mr. SMITH. Thank you.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. I only want to inquire, Mr. Chairman, if it is anticipated that we will all have an opportunity to be alone with Mrs. Bolton and General Bradley before these hearings are concluded?

Mrs. BOLTON. I am sure we would be delighted to have you.

Chairman RICHARDS. I am sorry to inform you, under the rules of the committee there will not be an opportunity for anybody to be with him.

Mr. BURLESON. Will General Bradley be back with us in an executive session?

Chairman RICHARDS. No. Not very soon. We will have an opportunity after the 5-minute rule, though, for questions from anyone who wants to question him further.

Dr. Judd.

Mr. JUDD. General Bradley, continuing the same line as the gentleman from Wisconsin pursued, is it your feeling that the main problem is not so much to create a desire on the part of the French people to stay free as it is to give them a reasonable hope that they can and to overcome the defeatism that any people would have if faced with such overwhelming power across the border, when they are without

the strength to meet that power without such assistance as we and others can give?

General BRADLEY. I think that very definitely is part of the will to resist. Yes. To use an illustration on that, I expect we would take a lot of insults from Joe Louis before we would fight, knowing that we had no chance to win. But, when he gets to be about 80 or 90 years old, if we were much younger and we had a chance to win, then I think we might be willing to accept the challenge and fight. I think the French are very much that way now. As long as they feel they have no chance to win they might not fight, just like I said we would not fight in physical battle with somebody we knew would lick us. But in my opinion, when they see a chance to win, and when they get to that point, then I think they will fight.

Mr. JUDD. I want to say for myself that as compared to previous visits to Europe, that process of improving morale is already a good deal further along than we had a right to expect. General Eisenhower and his staff, his personality, his organizational ability, the arrival of some American equipment and the providing of something concrete to rally around have more than justified the faith that you and we have had. I am greatly encouraged at what has been accomplished.

That brings me to this question, based on what you say on page 7. You say:

As long as we have time to do so, we must continue to apply every effort to making the collective defense a continuing and stronger deterrent to aggression.

Do you think we have gained more in these 2 years than the Soviet has?

General BRADLEY. Yes, sir; I do. I think time is running in our favor if we take advantage of it.

Mr. JUDD. Well, they obviously think it is running in their favor. They always stall everywhere and do everything possible to buy time. They would not be doing that unless they thought somehow it was operating in their favor. This perplexes me. I hope you are right and that it is in our favor.

General BRADLEY. I think you have to consider that from two angles. I say I think time is running in our favor because if given sufficient time—and we have to try to make it sufficient—we will have our security forces built up so that they will act as a deterrent to war.

From their point of view I can see where they might say, "Well, we are making pretty good progress without going to war on the fringes, propagandawise, politicalwise, so time is running in our favor. We have taken over China and have China now as Communist, and we have taken over Tibet and Czechoslovakia, and so forth."

So that they might think as far as getting these results without resorting to war is concerned, that they want all the time they can to do it. So I do not think they are too inconsistent and, of course, one of us may be wrong, or we may both be wrong.

Mr. JUDD. Our problem is to build up military strength so that they cannot win by force, and then handle our political and economic affairs so well that we will not become a victim internally to their historic method of conquest, namely, subversion.

General BRADLEY. I think the second will follow very largely the first.

Mr. JUDD. You say on page 9:

In due time the security forces of European nations will have to be maintained by the Europeans.

Can you tell us how much time you have in mind there, and how long it will be before the presence of American troops will have served as a catalytic agent or a "shot in the arm," and so forth, to the point where they can defend their own countries?

General BRADLEY. I think there are two points to this. One is the point when they can take it along without material assistance and money assistance or financial assistance. The other one is the question of when troops can be withdrawn. I would say the first one would probably arrive first, and after that, and following that, probably they can stand on their own feet as far as certain security forces are concerned.

It is pretty hard to estimate that. We would hope in, say, 3 years, if this program is continued on approximately this scale, that we would have reached that point where they can produce their own equipment and matériel. But, if France, as we were talking about it a minute ago, can convert that industrial capacity to war-making equipment faster than we might think she can, it might shorten it. If she cannot do it as fast as we think she should, it might lengthen it a little bit.

About the only thing you can say, in my opinion, is that you can guess in about 3 years of this assistance she should then be able to produce this stuff herself.

Mr. JUDD. I want to get this straight. You think that within 3 years she will be able to be essentially self-sustaining economically, but we will have to have our forces there longer than 3 years. Is that correct?

General BRADLEY. I should think it might follow—that second one might follow, because it takes a long time, as you know, to get these assembly lines running. It takes longer over there than it does here. So, when they start producing their own equipment and running it off and putting it in the hands of their troops, and their troops start training with it, that extra step will take some time. Maybe I have got them reversed, but in my own opinion I think reaching the state of producing their own equipment will come before you can withdraw all your ground forces there.

Mr. JUDD. Then the next paragraph on page 9 does not tie in with that. You say:

"So for this year, we must do both."

As a matter of fact, we will have to do both for more than this year.

General BRADLEY. Yes, sir. I hope I did not put too much emphasis on "this year." We are talking about this particular year.

Chairman RICHARDS. This year's bill.

Mr. JUDD. I see, but I did not want the wrong impression to go out that we must do both for just this year. We have got to do both for at least 3 years, and maybe one still longer. Is that correct?

General BRADLEY. Depending on so many intangibles that we cannot guess now.

Chairman RICHARDS. The gentleman's time is up.

Mr. Holifield.

Mr. HOLIFIELD. Thank you, Mr. Chairman.

General Bradley, you placed an approximate time plan of 5 years before us to mobilize, equip and train these forces, and to give the necessary economic and military aid to our allies to insure that we will have at least a chance to maintain a free world. You point out very clearly on page 6 that it is a question of time as to when a strike might occur against us. I find the feeling abroad in the land—and it is particularly augmented by this truce situation in Korea—that the emergency is almost over and that there is no need for mobilizing on this side of the water to achieve this program.

I wonder if you do not feel that there should be no let-up on our mobilization of the resources of America to produce this aid that is necessary, you say, for them to get on their feet.

General BRADLEY. I feel very definitely that this should not influence our own efforts to increase our own security or to increase the security forces of our friends. Just because the Communists have failed to attain what they had started out to attain in Korea is no proof at all that they have changed their over-all opinion of some day dominating the world. I think they have just been stymied in one place and are willing to pull out of that, but I do not think any of us would be surprised to see them start in somewhere else.

Mr. HOLIFIELD. It is very important then that we proceed as though there is an emergency?

General BRADLEY. Yes, sir. As I tried to outline here this morning in talking about the various trouble spots around this world, that is just one of them.

Mr. HOLIFIELD. That is all.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. General Bradley, may I revert to the question the chairman asked you and put it in a little different way from the way he put it.

When we were in Europe we spent considerable time in studying the mechanics of getting together the various figures being presented to us. In connection with military end items it was perfectly clear that the procedure followed was that the initial studies were made by the country missions in which the military were represented. Then the military in each country sent their findings of estimated needs to you and sent a copy to a coordinating committee in London. But the final determination, even though made within the limit of appropriations set, was made here by the group under your command. That was a decision with respect to these military end items, and these military end items, which are all material of war, were exactly similar to that which we were procuring for our own Armed Forces. In other words, that there was no special equipment being made for the European countries and, generally speaking, that there was standardization of equipment.

So in effect you were making the decision here as to how much of what was coming off our production lines ought to be sent to Europe, which I think is an entirely proper way for it to be done.

However, that in effect means, General, that you as a military man are determining, from what you know as to what the productivity of this country can be through Mr. Wilson's organization or otherwise, what is coming off our production lines and what in the interests of the security of this country as well as the free world you think should be allocated to the European theater of war, and the NATO countries.

Is that a correct statement?

General BRADLEY. That is what you finally end up with, but before you arrive at that decision you take into consideration all the evidence you can get, and you get this information very largely from the members of the various regional planning groups.

Someone asked me a question the other day as to why that should not come from General Eisenhower and his staff. As a matter of fact, a lot of it will next year, but when this particular list was made up, General Eisenhower's headquarters was not in existence. Now, since his headquarters and his subordinate commands really replaced three of the regional planning groups under the North Atlantic Treaty, then the information from those regional planning groups will now come through his headquarters.

Mr. HERTER. As a matter of fact, the method of getting the information was excellent in that you did it with a political, economic, and military group sitting together in each country, and the information that went to you on these military items was a result of their studies. As to the question the chairman asked you in regard to General Eisenhower with regard to the distribution of this equipment, I think I would like to pose that in a different way. Even though he has been an international commander, nevertheless he is the individual directly charged with the responsibility for security in Europe, and he has under his command a certain number of troops which he is free to utilize as he sees best. Is that not true?

General BRADLEY. Yes.

Mr. HERTER. He can move them wherever he wishes to move them.

General BRADLEY. With the limitation of consulting the national governments who give them to him.

Mr. HERTER. But after that he has a certain responsibility of command.

Now, the place where he does not come in at the present time at all is that after you in this country have made the determination as to the sum total of what can be sent to all of the NATO countries together, then he has nothing to say in the field of command at all as to whether he thinks it would be wiser to have more tanks go to Italy and more guns to Italy. Then it is principally a problem of handing them that which you have allocated on this side. Do you not think he should have at least a consulting voice as to the distribution of that material?

General BRADLEY. I think he will in Europe always, because if we start shipping this material over, you do not ship it all at once, as you know, of course. If General Eisenhower and members of his staff afterward decide that is not being made proper use of, that report would come back here and you could ship that equipment right from here, and he would not have to do that from over there.

He could very easily influence the flow of that equipment. You do not have to go from the list we made up now. That is not an infallible list. If it turns out they cannot use it the way we planned it, we could very easily shift it under the North Atlantic Treaty.

Mr. HERTER. You cannot shift it once it has been turned over to a government. Neither can he.

General BRADLEY. No, sir.

Mr. HERTER. It has to be done right the first time.

General BRADLEY. That is right; and, of course, your point is he should be able to turn it over—

Mr. HERTER. In the chain of command it ought to be made very clear he has something to say about the allocation of it as between the different countries. Not the total. The total you have to determine here at this end.

General BRADLEY. I think you will find in practice he has that, unless you go so far as to say that we maintain title and have the right to take it back. Then you get into a different problem.

Mr. HERTER. Yes. That is a different problem entirely.

Chairman RICHARDS. The gentleman's time has expired.

Mr. Roosevelt.

Mr. ROOSEVELT. Thank you, Mr. Chairman.

General Bradley, there are two brief points I would like to ask you questions on. The first is, how does the actual military production in these NATO countries today compare with 1939? Is it way down?

General BRADLEY. Oh, there is really no comparison, because, you see, their war-making industries were all destroyed by the occupying powers. Let us take France and Belgium, for example, where a lot of it was. That was all destroyed and the machine tools were destroyed and all carried back to Germany, and that part that was in Eastern Germany was probably carried somewhere else. So that their war production capacity was really destroyed in either that way or by the results of the action. England, of course, was about what it was during the war.

Mr. ROOSEVELT. There is some conversion necessary in England and modernization of plants?

General BRADLEY. Yes, modernization and replacement of worn-out equipment.

Mr. ROOSEVELT. I wanted that for the record.

The second question, I think, is tied up with this possible terminal date when we will hope to bring our own troops back. I remember back in 1940, when the Germans were overrunning France, that there was considerable talk at that time that the French General Staff were about 20 years behind the time in their military tactical thinking and that General DeGaulle was at that time only a colonel, and he had been the great advocate of tank warfare within the French Army, but he had always been suppressed by the Maginot line people.

Now, maybe this should be answered in executive session, but I do not think we are going to be able to pull out our ground troops if we are not satisfied that the top military leaders of France and the other NATO nations are qualified from a modern military point of view to carry on the defense of Europe with the forces which we have helped to create. You may find the French General Staff at that point, having most of the troops, will insist on having the successor to General Eisenhower, and you may not have the confidence that that fellow has the military ability to defend Europe unless we still have our forces there.

General BRADLEY. In the first place, in answer to your question I would hope none of us would put too much emphasis on the fact that in 3 years, or 5 years, or 6 years, or any particular number of years, we can bring our troops home, because I do not think anyone knows. The conditions may be such that a certain number of them will be required over there even a longer period of time in order to furnish

some of the leadership and the example and impetus necessary to this thing.

I hope no one thinks I am saying or making any promise that I would recommend at any particular time, at this stage and with what we know now, we would bring them home. I would visualize we can at some time, and I think we can, but that should not be taken as any promise. As far as the leaders are concerned, that is a very difficult one to foresee. There has been a study under way which would provide for setting up a NATO war college for training of staff officers of all the nations that belong to the organization. That might partially meet your objection there if we could get a strategical and tactical thinking among the countries, so that we would insure their being up-to-date and, in other words, not have obsolete methods.

Mr. ROOSEVELT. It is not an objection, but it is a worry.

General BRADLEY. Yes, sir.

Mr. ROOSEVELT. Thank you, General. That is all I have.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. In your statement, General, you expressed the hope that Turkey and Greece might be admitted to the NATO organization. I am in agreement. What are your views about the advisability of Spain also being admitted to the NATO organization?

General BRADLEY. My own opinion from the military point of view is that I would like to see her in NATO, but we have run into a lot of political reasons which get beyond my qualifying phrase of "from a military point of view."

Mr. REECE. What is the purpose of NATO? Is it a political organization or is its primary objective a military objective?

General BRADLEY. I think it would be rather hard to separate them. Certainly, as a result of the union (even if you say it is a political organization) we hope to get military forces and a military situation which will act as a deterrent to war or win if war comes. So, I think you could say the end result is military security.

Mr. REECE. It would certainly seem so, and it would seem to me that the military considerations should prevail over some individual or national prejudice that might obtain.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. REECE. Surely.

Mr. ROOSEVELT. General, is it not true, however, that the military security is aimed primarily at accomplishing a political end result, which is to prevent communism in this Western European area from taking over either by external force or internal subversion. So really the end result, as you put it, military security, is only a means to a political end.

General BRADLEY. That is the reason I say they are so closely associated that it is hard to separate them.

Mr. ROOSEVELT. But the thing is that Mr. Reece leads us into a position where we will say this is only a military thing and only military consideration should prevail, and I do not think we ought to get into that position.

General BRADLEY. May I answer that question a little more fully, and I think it will cover the point? I answered it from my point of view. You cannot get a Frenchman or an English military man to say what I said, that from a military point of view they ought to come in. Essentially for the same reason Norway and Denmark

will say from a military point of view Greece and Turkey ought not to come in, because it spreads your line.

Mr. REECE. But probably more than is true with any other European nation the Spanish people have two things that are important. One is the will to fight; and, secondly, they have a hatred of communism. When we get those two things in combination, together with a strategic location, and admittedly Spain is a strategic location, it would seem to me as though we ought to take the leadership in trying to develop a situation that would enable that country to be brought into the orbit.

I am wondering if we had brought as much pressure on England for Spain to be brought into this orbit as England has brought on us to admit Red China into the orbit, if we would not have made more progress on it than we have made.

General BRADLEY. The question as to the relative amount of pressure that has been put both ways is a political one and a diplomatic one which, I am sorry, I cannot answer, sir.

Mr. REECE. I realize that, and probably I should not raise that question here, but we just raise the questions as we think of them here.

General BRADLEY. Thank you, sir.

Chairman RICHARDS. Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

Continuing with Mr. Reece's and Mr. Roosevelt's remarks, is it not a fact that we supported Yugoslavia and gave aid to Tito just for military reasons?

General BRADLEY. I think there are both military and political reasons why we gave him assistance there.

Mrs. KELLY. Hoping that they would resist Russia?

General BRADLEY. Hoping that they would resist; and, further than that, you could not afford to let somebody fall by the wayside for lack of a helping hand when he had broken away from the Soviets. Had we done so, it would have been very hard for anyone in the future to break away. So there were both political and military reasons why we would hate very much to see Tito fall by the wayside for lack of a little help.

Mrs. KELLY. I agree with you in that, and I think Spain should be brought into the NATO nations.

I am perturbed about the lack of will to fight. Do you know if there is that lack of will in Italy?

General BRADLEY. I have not been to Italy for about 3 years, and I will have to give you only hearsay. However, General Eisenhower's staff, and particularly Field Marshal Montgomery, who have recently been there, came back with very glowing reports of the rise in spirit of the security forces of Italy and their attitude.

I think that is significant because I think before that trip, Marshal Montgomery would probably be influenced by the general thinking that Italy would not fight. But here you find an Englishman coming back very enthusiastic about the increased spirit and revived spirit of Italy. I think coming from him it is significant.

While I say that is only hearsay and I have not been there for some time, I think we could say that their will to fight is certainly better than it was a year or two ago.

Mrs. KELLY. Thank you, General.

Would you care to comment at this time on the situation in the Balkans?

General BRADLEY. I do not know just what you mean. I covered a lot of that this morning off the record. I do not know what I could add to that, unless you give me a line on what phase you want me to discuss.

Mrs. KELLY. What is the situation at this time in Albania?

General BRADLEY. I am sorry. I did not bring that up this morning. I think I could have told you two or three things about Albania that I would hesitate to say in open session.

Mrs. KELLY. That is all at this time. Thank you, General.

Mr. JUDD. Will the gentle lady yield if she has half a minute left?

Chairman RICHARDS. I have two members who did not get in yet under the 5-minute rule. First I will call on Mr. Carnahan and then I will call on Mr. Fulton.

Mr. CARNAHAN. Thank you, Mr. Chairman.

Do all of the member NATO nations have some form of universal military training or selective service?

General BRADLEY. I think all except Iceland. Iceland has no military force, you see, but all the rest of them do have some form of compulsory service.

Mr. CARNAHAN. Within the last year, has there been a tendency to increase the periods of training?

General BRADLEY. Yes, sir. I believe most of them have increased their period of service. I think someone who is going to follow me can give you those exact figures, if you want them, or I could get them and furnish them to you. I do not happen to have them in front of me at the present time.

Mr. CARNAHAN. And all of the countries perhaps have increased their military budgets too?

General BRADLEY. Their military budgets have been increased. Yes, sir.

Mr. CARNAHAN. Is that not a pretty strong indication that they really mean to make the organization effective?

General BRADLEY. I think it is. When you talk about France, for example, France has increased her budget about 50 percent over what it was the year before, and has indicated she expects to increase it still more. I am not at liberty to say how much she hopes to do, because what I would say probably would not be binding on the new government anyway; but it is an indication of what the people were thinking along military lines, and I expect will be backed by the new government.

Mr. CARNAHAN. Is there a general feeling throughout the European countries that their economy is developing to a point where they can support their military programs?

General BRADLEY. Yes, sir; and I think they all feel that they can convert more of it to war production. You take the steel production figures, for example. All of them have increased that over what it was a year or two ago. If I remember the figures correctly, France is up to something like 12,000,000 tons, and England is up to something like 17,500,000 tons. Belgium and Luxembourg together are between seven and eight. Of course, that is one of the troubles you run into in a country like Italy. Her production, if I remember correctly, is about 2½ million tons, which does not furnish enough raw materials to do some of the things she would like to do along the lines of building equipment.

Mr. CARNAHAN. That is all, Mr. Chairman. Thank you.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. The name of the program, General, has been the Mutual Defense Assistance Program to date. From my point of view I believe that that is a good statement of what we intend to do by the program. There is now some question of changing the name to the Mutual Security Program.

Could I ask you if there is any real reason why we have to change from the name Mutual Defense Assistance Program, because I think it is of great propaganda value to show that our forces are for the purpose of defense and not for such things as security police, or maintaining a status quo within recipient countries, and are not occupation forces.

General BRADLEY. I am sorry, Mr. Fulton. I have never given any thought to change of name. I do not know where that came from, and maybe I should know about somebody's proposal to change it, but I have not given it any thought.

Mr. FULTON. But you have had no trouble in the military sense with the name of the program so far, that is, the Mutual Defense Assistance Program, have you?

General BRADLEY. Not that I know of.

Mr. FULTON. I conclude therefore it has caused no difficulties.

In addition, there is the problem with each country of the correlation of arms or standardization. Have you been making satisfactory progress in general terms in that field?

General BRADLEY. I might answer that yes and no, because in some ways it has been going along satisfactorily, and in some ways it has not. We have run into a few items on which we have delayed getting an answer. I think they are in a fair way of being answered now.

I might cite as an example the fact that the British want a .28-caliber rifle. We have no objection to their having a .28-caliber rifle as long as they do not try to force it on us and change our M-1 to a .28. In my opinion there is no necessity for us having just one rifle and just one type of ammunition. We have about three sizes of ammunition within our own equipment, because you have your M-1 ammunition, and .30-caliber ammunition for your .30-caliber carbine, and a .45 pistol. So I do not know why we should gag at adding one more for 12 nations.

That is one of the things that has held up things for a while. I do not think it is acknowledged yet, but the French want to make a 73-millimeter bazooka, and we are very well pleased with our 3.5. There is no reason why we should not have two types of bazookas if we coordinate the manufacture and the ammunition problem. I think it can be solved without arguing forever as to which is the better of the two in either case.

Mr. FULTON. That was my next question. There is criticism of the program that I have heard in respect to the Department of Defense. I believe you are doing a fine job, I might add. The criticism has been that disputes go on endlessly as to what materials and implements should be used, and nobody is making any decisions. Therefore it is delaying the program.

Is that really delaying the program, or are we moving ahead? Are we saying, "All right. You make your kind of bazooka and you make your kind of rifle, and we will make ours, and we will see that there is

enough standardization to make it work"? Or, are we bogging down in these endless disputes as to technicalities that in the long run are not very important?

General BRADLEY. I would hate to give the impression that we do not think there has been some delay, but I think it is being solved at the present time. Some of these things are not quite as simple as they appear. But, that is one of them, weighing the standardization of two types of rifles on which somebody should make a decision.

Mr. FULTON. Who should that be? Who should make that decision?

General BRADLEY. Well, it is supposed to be made by the governments after getting a recommendation from the Standardization Board. A proposal was made that we appoint a board of senior officers, let us say, from the three principal nations on the standing group—and Canada, which does produce a lot, and give them the final power of decision. However, we do not think you can delegate that much authority to four men because it is a Government position and you have to think of how much money we have tied up in .30-caliber rifles. I do not think any one man should be required to make a decision on that. Therefore, I think we will get it eventually straightened out here in the standing group and Standardization Board.

Mr. FULTON. Who in this country then should we go to in order to get those decisions made very promptly? When you feel it is delaying the program somewhat, who is responsible for it?

General BRADLEY. I think it would be a departmental one and not any individual's decision.

Mr. FULTON. You have spoken of the Middle East and the fact that we are going to assist Greece and Turkey, and you mentioned Iran. Then you were also asked if there is authority to grant aid to other nations in the Near East and Africa if it becomes necessary to our security to do so. There might seem to be an assumption in your statement that at the present, as to the other nations including Israel it would not be a present requisite for our security to do so. I do not think you mean that inference when Israel has a fine army group of 100,000 men who are an active force, and 100,000 in reserve, and there are other mediterranean countries that I feel are presently a real factor in our security and it should be our immediate intention to help.

General BRADLEY. Admiral Sherman is going to appear before your committee with the specific job of testifying on the Middle East. I would suggest, if you would, to ask that question of him. I could answer it in a general way, but he spent his time on that, while I have tried to cover the whole area and the world situation. He can answer that better than I can, I am sure.

Mr. FULTON. I have one final question. That was on the problem of joint defense. Have we been able to convince these countries of Europe that they should give up individual defense in order best to join in a joint defense? I say that because they all cannot have a whole army, navy, and air force that would be best suited to defend each individual country, but must cooperate with this group of NATO nations to do the part that they can best do, joining is in an over-all defense. Have we made any progress on that?

General BRADLEY. I think we have made tremendous progress in it, and I think we will make still more now with General Eisenhower and his staff right on the ground doing the planning.

I think, as I mentioned before, you cannot do it overnight because you have to change the thinking of the whole national populace of some of these countries.

For example, the Netherlands are seafaring people, and it takes a little time to convince them that they should not spend more on their navy than they should on their army and tactical air force which supports it. I think when they analyze it they will admit their principal threat is overland, and they will have to depend in large part for the defeating of any hostile navy on other nations, with a collective defense idea. However, it does take a little time, but I do think we have made tremendous progress.

Mr. FULTON. Thank you. I want to say as one citizen that we American people are very proud and lucky to have you on the job on the Joint Chiefs.

General BRADLEY. Thank you.

Chairman RICHARDS. General, I would like to ask you one question for the record and make a few remarks. We have this program in three steps. First we have the economic aid. That has come to the point where we want to get out of it entirely at the end of this year, that is, fiscal 1952.

Then there is this program for several years, that is, 3 or 4 years. Then they say when you get that off their backs, when do we get our troops out of there?

As a matter of fact, so far as the taxpayers are concerned, if we are going to keep up a Defense Establishment of $3\frac{1}{2}$ million or 4 million men, it does not make much difference to the taxpayer whether they are training them in France or here in the United States. That would come under our own defense budget if they are American troops, would it not, if we leave some divisions over there?

General BRADLEY. Yes, sir. As far as the cost is concerned, there would not be too much difference, because the big item is the cost of equipment and the pay. There is some additional expense in keeping them in Europe because of your long pipeline of replacements and the expense of shipping supplies, particularly consumable supplies. So that I think we would have to admit it would cost something extra to keep them over there, but it is not a great, big item.

In other words, the big item is the equipment and the pay, and the uniforming, and so forth.

So, as you say, it does not cost too much more, but I think the point is not a cost one so much as it is the fact that you have so much of your manpower abroad.

Chairman RICHARDS. You would give them to the Atlantic Pact countries to fight, if they are invaded.

General BRADLEY. Yes, sir.

Chairman RICHARDS. If they are here you would have to send them over there. If they are there the cost would be some more then.

Mr. VORYS. Could we have a 5-minute recess? That is a teller vote.

Chairman RICHARDS. I think we can. We will suspend for 5 or 10 minutes.

(Whereupon, at 3:45 p. m. the committee recessed until 4 p. m. of the same day.)

Chairman RICHARDS. General Bradley will resume his testimony.

General, do you want to say anything more about this troop business?

General BRADLEY. I think there might be added in addition to what I have already said, that certainly in any war plan in which we are going to participate, if the war takes place in Europe we will undoubtedly send troops. We did in the First World War, and we did in the Second World War, and we will undoubtedly do so in another war. So you have to weigh the question when you are talking about bringing them all home, of whether or not that is what you want to do, because you have to take into consideration the shipping required to get them all home in a short time. If other conditions arise you might not want to leave them over there, but you would not have the troops there then you had hoped to contribute for, say, the first 2 or 3 months of a war.

That is what I wanted to add to the statement I have already made.

Mr. VORYS. Is it time to start around again, Mr. Chairman?

Chairman RICHARDS. Yes. We will go around informally now. However, I have a question about the shipping, General.

As a matter of fact, when you talk about distances in this country, sending troops from the east coast to the west coast, and sending tanks and other material by freight, the rates are considerably higher than they would be sending that across the ocean. Even from the standpoint of transportation, adding it all up, I cannot see where there would be very much additional cost.

General BRADLEY. I do not think you can base too much of your decision on cost. As I say, the final cost is affected to a small percentage, I would say, by whether or not they are here or over there, as far as the actual cost is concerned.

Chairman RICHARDS. Are there any questions by members of the committee?

Mr. VORYS.

Mr. VORYS. Yes, sir.

General Bradley, there is now pending in our committee Senate Concurrent Resolution 18, which is the so-called troops-to-Europe resolution. I wanted to ask you about sections 4, 5, and 6. Section 4, to refresh your recollection, states:

It is the sense of the Congress that before sending units of ground troops to Europe under article 3 of the North Atlantic Treaty, the Joint Chiefs of Staff shall certify to the Secretary of Defense that in their opinion the parties to the North Atlantic Treaty are giving, and have agreed to give, full, realistic force and effect to the requirement of article 3 of said treaty. * * *

Section 5 provides that:

* * * units of the United States ground forces as may be assigned to the above command shall be so assigned only after the Joint Chiefs of Staff certify to the Secretary of Defense that in their opinion such assignment is a necessary step in strengthening the security of the United States; and the certified opinions referred to in paragraphs 4 and 5 shall be transmitted by the Secretary of Defense to the President of the United States, and to the Senate Committees on Foreign Relations and Armed Services, and to the House Committees on Foreign Affairs and Armed Services as soon as they are received;

Paragraph 6 states:

* * * it is the sense of the Congress that no ground troops in addition to such four divisions should be sent to western Europe in implementation of article III of the North Atlantic Treaty without further congressional approval;

What would be your view as to putting those provisions into the Mutual Defense Assistance Act?

General BRADLEY. Mr. Vorys, it seems to me like you are asking me to answer a question which goes down to the question of the authority of Congress, as compared to that of the executive branch of the Government, which I do not think I am qualified to comment on, because that is really what it does come down to.

I think from a military point of view we become worried when anything happens which would so restrict the free movement of military forces in time of emergency as to affect our ability to carry out war plans. But other than that, it seems to me like it is a question of who decides whether or not troops go to Europe—the executive branch of the Government or the congressional branch, or the two of them together.

I say, I do not feel I am qualified to discuss it.

Mr. VORYS. There are really three different propositions here.

General BRADLEY. Yes, sir. I understand that.

Mr. VORYS. The first two provide a sort of machinery for requiring the Joint Chiefs to make a finding as to what Europe is doing, and as to our own security, and then certify that to the President and the appropriate committees of Congress. It would seem to me that the only objection to that would be that the Joint Chiefs might want, or somebody might want to have troops go to Europe when it was not in support of our own security under section 5, or that the European nations were not doing their part under section 4 and therefore that certifying would certainly be a proper requirement and one that could certainly not hamstring anybody.

General BRADLEY. I think the thing may come up from the suspicion that these people are sent overseas without the recommendation of the Joint Chiefs of Staff. That has not happened yet. The Joint Chiefs of Staff recommended that these people go, and I think it would be rather unusual for the Government to send any additional forces to Europe except as a recommendation of the Joint Chiefs of Staff.

Now, certain conditions you put in there would require us to go into some of these things in greater detail than we are able to now. For example, we have to certify to you they are doing everything they can for themselves. That is quite a problem, because ECA machinery and General Eisenhower's headquarters, and everybody else, has a hard time deciding that.

As I said here this afternoon, I do not know what the answer is on France. There are so many conflicting things that certainly we cannot make a decision here that France is doing everything she can do for this collective effort. We can say she is doing a lot and improving it and increasing her effort, but it would be pretty hard for anyone to say she is doing everything she could.

Mr. VORYS. I know this language has had a great deal of study and debate. It says in section 4 that the NATO countries—

* * * have agreed to give, full, realistic force and effect to the requirement of article 3 of said treaty that "by means of continuous and effective self-help and mutual aid" they will "maintain and develop their individual and collective capacity to resist armed attack," specifically insofar as the creation of combat units is concerned.

General BRADLEY. Yes, sir.

Mr. VORYS. Now, the only people that we could ask, or the President could ask about that, would be the Joint Chiefs and, of course, you testified on that today.

General BRADLEY. I can say as long as you leave out the words "full capacity" I think we could probably have certified to that, that in our opinion they are doing this. When you get down to article 6 it would seem to indicate that this resolution is primarily intended to cover the permission or the authority to send troops beyond the four divisions that are now to go. This is the same as Senate Resolution 99.

Mr. VORYS. That is right. This is the same text.

General BRADLEY. And they indicate, I would say, in section 6 there that they are talking about the full approval of these four to go, but if more than that go then articles 4 and 5 come into being and we would have to certify these things.

Mr. VORYS. Section 6 does not require any certificate; 4 and 5 do. Section 6 says:

* * * It is the sense of the Congress that no ground troops in addition to such four divisions should be sent to Western Europe in implementation of article III of the North Atlantic Treaty without further congressional approval.

One way Congress might express its sense would be to put a prohibition against additional troops in the law, and if that prohibition were in the law signed by the President, that would be it.

General BRADLEY. Yes, sir. As I say, it is a question whether or not that does not apply to things beyond the four that are already scheduled to go.

Mr. VORYS. Yes. It is obviously intended to apply to prohibit more than the four without further act of Congress.

General BRADLEY. More than the four.

Mr. VORYS. To prohibit the four plus two.

General BRADLEY. Yes, sir.

Mr. VORYS. I left out the approval of the additional four, which is stated in 6.

General BRADLEY. Yes. That is stated in there that they approve the four. Not being a lawyer, I do not know what it means, but it is a question as to whether or not it does not mean we would have to certify this and get the approval of Congress to send more than the four. I am merely bringing that out in case a study indicates there ought to be some change in the wording to make it plain. That is all.

Mr. VORYS. I am quite confident as this bill goes through the Congress there will be efforts made in view of the developments of the past 2 years, and what some of us feel is a change from the original NATO plan, to attempt to put some sort of legislative limitation on troops in the law. There are two questions. One would be a constitutional question, which you might or might not care to pass on; and the other would be the military question, upon which I know the Congress would be glad to have your views.

General BRADLEY. I do not think the Chiefs would have any trouble making a proper certificate to you as long as you do not make it read so strong as to indicate, let us say, full capacity, or something of that nature. We think they are doing a fair share of this thing now, but I think it would be very difficult for us to say they are doing everything in the world they should. I hope you get my distinction.

Mr. VORYS. Yes.

Here is a Senate resolution and a proposed concurrent resolution which, as to sections 4 and 5, proposes a certain sort of certificate. Now, as I understand it, this resolution does not now have the binding effect of law, but as to the certificate, the only way it would have the effect of law would be to put it in the law, and the law to put it in would be this bill.

General BRADLEY. We would not hesitate, I think, to give the certificate required in paragraphs 4 and 5 the way they are written now.

Mr. VORYS. Thank you. But as to 6, regardless of the constitutional question, suppose Congress did have the power and attempted to exercise it to prohibit the sending of additional forces above the two there and the four divisions now contemplated? What would be your military opinion on that sort of limitation?

General BRADLEY. I do not think that would cause too much difficulty in peacetime if it is understood in time of an emergency, or war, that you would not have to wait for action on it.

Mr. VORYS. If we had war Congress would have declared war and pulled off all limitations, I imagine.

General BRADLEY. Of course, there are conditions where you might not be able to declare war, and we might have to start action without getting that declaration, knowing you would declare it when you got the conditions under which you could declare it.

Chairman RICHARDS. Are you through, John?

Mr. VORYS. Yes.

Chairman RICHARDS. How about you, Mr. Javits?

Mr. JAVITS. I have not had an opportunity to question the general. I have one or two questions.

General, it occurred to me considering the situation in Europe there might be something worthy of consideration in the idea of bringing over here for some or all of their training, some of the divisions which would be made available by the NATO countries, and training them in the zone of the interior of the United States, especially in the course of the next year or two, when our strategic position, as has been publicly stated, is open to so much concern in that area.

Would you give us any observation you care to make on that idea?

General BRADLEY. Yes, sir. I would be glad to comment on it. I assume you mean by that divisions other than United States divisions. That is, French divisions, or Belgian divisions, or something of that nature.

Mr. JAVITS. Yes, sir.

General BRADLEY. Possibly it was prompted by the fact that some of those countries have limited maneuver areas, and they have to train somewhere else in those cases, and we could give them possibly better training. I grant you then they could get better facilities, and so on.

I think you would have for consideration, however, the transportation costs and the costs of maintaining them away from home which would then get into the dollar exchange problem. One of the things they are short of is dollars. A lot of expense for their being over here would really have to be paid in dollars, I should think. I think if it has to be paid in dollars you would find yourself having to pay some of that yourself. I am not too sure that the advantages of having them over here with more training area, and so forth, would offset a lot of the disadvantages.

There is also the disadvantage that if you keep them over here for any length of time we are faced with the same problem we have with the troops in Germany when they are away from their families for a long period of time. I had not thought about it before, but at first thought I would think that the disadvantages would outweigh the advantages of it.

Mr. JAVITS. General, would you be good enough, if you care to, to comment on just two other points? One is that in that way we could avoid what happened to the French Army in the fall of France, during this period when manpower in organized military terms is so important.

Secondly, we talked a great deal about letting the people in Europe know how we feel and think, and how we are geared in terms of our democratic system. Of course, would that not be an excellent way of accomplishing that objective with the men on the firing line?

General BRADLEY. I think it would have a tremendous influence in spreading our way of life and certain of our standards, and so on. It would certainly accomplish that, and you would accomplish some of the same things you accomplish by interchanging students, and so on. You would have the interchange of a lot of young men on that scale, except in a different way. They would be in uniform instead of coming to school. There would be a lot of advantages to that situation.

Chairman RICHARDS. Will the gentleman yield?

Mr. JAVITS. Yes, sir.

Chairman RICHARDS. On the other side of the picture, General Bradley, is it not a fact that soldiers are not very popular with localities in which they train; nor are the people very popular with the soldiers as a rule, immediately?

General BRADLEY. I do not know. I think that is a broad statement, Mr. Chairman, and it requires a good deal of qualification.

Chairman RICHARDS. A lot of irritations arise out of a situation like that everywhere.

General BRADLEY. I think in some communities, for example, in this country, they fight to get military installations in their districts. Certainly there must be some advantages to offset some of those disadvantages, or they would not do it.

Mr. VORYS. Will somebody yield?

Chairman RICHARDS. I yield.

Mr. VORYS. If a French poilu were over here and he gets 5 cents a day, or 10 cents a day, is it?

General BRADLEY. He would have a hard time, sir.

Mr. VORYS. And if he went on leave to this neighboring town he would have a pretty dull time, would he not?

General BRADLEY. He would probably only be able to walk the streets.

Chairman RICHARDS. Four dollars per square meal would be how many months' pay?

Mrs. BOLTON. I was wondering about the real facts of what students learn when they come over. I talked with a great many of the men who were overseas, and they know nothing about the countries they are in. It was off limits to go here, or there, or some place else, and they came back home completely ignorant of where they had been.

We had foreigners over here and we saw a great many of these students who come over. Unless the community takes a hand in it

and sees to it that the students get off the campus and get some idea of what we really are like, they get an idea of little more than narcotics rings, things like that, all in general confusion.

I think there are a great many sides to such a proposition that have to be taken into consideration unless there is a tremendous organized effort made, and there is the danger that they go away with very false impressions.

Mr. JAVITS. If I might be permitted to say so, I raised the question because it ought to be considered. I think it is a question as to whether we in the NATO countries are really a military unit or not.

If NATO is going to be successful, we have to think of self-help and mutual cooperation as a two-way street. We want to get from our allies better cooperation and more forces and more action, and I think there is an enormous amount to be desired on that score; we are in a so much better position to get it, if we ourselves show that we consider that we are just as much a part of the team as anybody else, and we really have a right to expect it.

General BRADLEY. I think there is one related matter that ought to be introduced at this point to clear up the record; that is, while they do not send the divisions here as such, there is quite a training program under way which brings a lot of individuals over here—selected individuals and people of the highest type, both noncommissioned officers and commissioned officers, and they go to our schools. That number runs into a very big number.

The advantages you are talking about are accomplished by that in a better way than if you had a unit and you would not have to have this special training program, which Mrs. Bolton points out you need to get the maximum good out of it, due to the fact that they would have no place to go except if we organized it.

Mr. JAVITS. Is it fair to say the NATO military organization is being animated by the American military doctrine and concept and training ideas to an increasingly important degree?

General BRADLEY. I think that is a safe thing to say because of this exchange. It is mostly one way. That is true. People come into this country to school, and they go to our infantry and artillery schools, and some of our colleges. Some of their enlisted men come over here and take tactical training. So through that means they go back and act as training cadres for their own outfits, both in schools and units.

Some of the people in Europe, in learning how to use this equipment, have sent cadres up into Germany, where our forces are, and they have trained with our forces in Germany and learned these things. Then they go back and teach them. So through all that we are able to get across a certain amount of tactical training doctrine to some of these countries.

Chairman RICHARDS. General, along that line, when we were over there a few weeks ago on this study we went to north Italy. There was an officer there who came back from Fort Benning or Fort Sill, and he practically dominated that operation. Of course, he spoke English, and I asked him, was he following the tactics he had learned over here. He said, yes, they were following them almost to the letter in tank operations.

That just bears out what you said.

Mr. JAVITS. General, is it fair to say we are making great progress in the direction of standardization induced by the fact that we are responsible very heavily for the weapons, and also for a great deal of the doctrine?

General BRADLEY. That is right. We have officers in all of these countries where we turn over this equipment to see that they get proper instruction in how to use the equipment. We are all bound to get certain ideas on the tactical as well as the technical side of it.

Mr. JAVITS. Does the general consider that one of the major achievements of the NATO organizations?

General BRADLEY. I do, and the philosophy goes a long way toward ironing out many of the difficulties that normally occur after you form an alliance and start fighting a war. We are ironing a lot of them out now.

Chairman RICHARDS. Are there any other questions?

Mr. JUDD. Yes. I have a couple of questions, Mr. Chairman.

Chairman RICHARDS. Mr. Judd.

Mr. JUDD. General, on page 2 you say:

Our security demands that the Soviet-satellite combination be prevented from picking off any more nations.

Recently General Marshall, and I think Mr. Acheson, have said that they now believe it is important to our security to keep Formosa from falling into the hands of forces hostile to us.

Is your sentence broad enough to include preventing the giving of Formosa to agents hostile to us, as well as their picking it off by force of arms?

General BRADLEY. Yes, sir. I think it would apply to whether they got them by force of arms, or propaganda, or anything else.

Mr. JUDD. Or maneuvers in the United Nations.

General BRADLEY. Yes, sir.

Mr. JUDD. If it is that important—and I think it is—I wonder why your Joint Chiefs and others high in the Military Establishment have not given it much attention, at least publicly, as you have given Europe?

For example, on page 10 you say:

One of my main purposes in making the recent trip to Europe was to make my own estimate of the progress being made in Europe under General Eisenhower.

Now we have all kinds of reports and information respecting Europe. Yet General Eisenhower went over in January and came back to report to us, and you have gone over recently to make your own estimate, but to date no top man, military or civilian, has gone to Formosa. If it is important, why do you not go over and take a look at it to make sure we are doing everything possible that is reasonable and workable in support of whatever strength there may be there?

General BRADLEY. Maybe we should. We have had high-ranking officers there.

Mr. JUDD. You have had higher-ranking ones and lots of them in Europe. The only really high-ranking one who has gone to Formosa was General MacArthur, and he got spanked for it.

General BRADLEY. I do not think he got spanked for going to Formosa.

Mr. JUDD. Well, he certainly did by the press, and by some of our allies.

General BRADLEY. I think there is some difference in degree of importance here between Formosa and Europe.

Mr. JUDD. I recognize that, but Asia is the place where we have been getting the licking and where a war is going on. If we win the war we are in, then surely there is a better chance of preventing the war that we are not in. Is that not true?

General BRADLEY. Without answering your question directly—and I am afraid I do not quite follow you—as far as Formosa is concerned, if they had or if there was a war going on there, or if there was a military capability that they contributed to, or if we had a formal alliance with them and bilateral arrangements for mutual defense, and so forth, I think you would have a little different problem. I am not saying some of us maybe should not go to Formosa, and maybe some of us will go to Formosa, but it is not United States territory, and it is not quite in the same category as these European countries, because we are not in a formal alliance with them in which we have mutual support.

I am not saying you are wrong on it. Maybe we should.

Mr. JUDD. I mean, I have been perplexed at the statements that Formosa is important to our security and yet no top persons, civilian or military, with the exception of General MacArthur, have gone there to survey the situation in the last 3 or 4 years, or since the Chinese forces moved to Formosa. There is more public confusion on that situation than anywhere else and it ought to be cleared up.

Now, the only other comment I want to make is this: The question has been raised several times as to whether, if a truce were achieved in Korea, that would permit us to reduce our military effort. May I ask you this question? If the Communists agree to a workable truce or an armistice in Korea, would that increase or decrease your apprehension as to the probabilities of their starting something somewhere else?

General BRADLEY. I think it would increase the possibility of something starting somewhere else.

Mr. JUDD. That is what I, too, think would be the case. So that if a cease-fire comes, actually we are probably in greater danger than if it does not come?

General BRADLEY. You might go so far as to say that because we have solved it in Korea—if you could confine this thing to Korea, aside from the fact that you do not like to take the losses, and so forth, you might say that you are accomplishing so much in Korea that maybe it would be fine if it went on, in order to keep it from going on somewhere else, and maybe a third world war breaking out. However, I do not think I should quite say that, because we are not too sure that is proof against it.

Mr. JUDD. But it is true that since in Korea we have their feet pretty well held to the fire, they are not in so good a position to start trouble in Indochina or even in Iran. Is that not true?

General BRADLEY. Certainly, as far as China itself is concerned they are fully occupied.

Mr. JUDD. I hope our people understand fully what you have just said; that judging by the past performance of the enemy we are dealing with, he is likely to agree to an ending of the operation in

Korea only if he has in mind that it will better enable him to start another and more profitable one. Therefore, that should stimulate us to greater effort, rather than cause us to relax.

General BRADLEY. I think that is definitely the case. I think there is one other point which has not been brought out, however, and which might be. That is, having gotten their fingers burned so much in Korea, they might be more hesitant to start somewhere else than they were to start in Korea.

Mr. JUDD. I think that is right. Some of us in this committee 2 years ago urged that we not withdraw all of our forces from Korea. I was convinced that if we had even a battalion in Seoul as a symbol of American determined interest in the survival of that young republic, and as a symbol of American power, it was very unlikely that there would be an attack.

Contrariwise, if we withdrew it was a gilt-edged invitation for the Reds to come in.

If they know we are determined, I do not think they are nearly so likely to start something somewhere else.

Thank you very much.

Chairman RICHARDS. Are there any other questions?

(No response.)

Chairman RICHARDS. General Bradley, thank you very much, sir. We appreciate your coming up here and I am sure we learned a lot from your testimony.

General BRADLEY. Thank you, sir.

Chairman RICHARDS. The committee stands adjourned until 10 o'clock Monday morning.

(Whereupon, at 4:30 p. m., the committee adjourned until 10 a. m. Tuesday, July 17, 1951.)

THE MUTUAL SECURITY PROGRAM

TUESDAY, JULY 17, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., the Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please. We will continue the hearings on the so-called Mutual Security Program.

We have with us this morning our old friend Mr. Hoffman, who is the former chief mogul of this program, and who did a wonderful job with it.

We are glad to have you back with us, Mr. Hoffman.

Mr. HOFFMAN. I am glad and delighted to be here. I am glad to have the opportunity of expressing certain views.

Chairman RICHARDS. Will you proceed, Mr. Hoffman.

STATEMENT OF HON. PAUL G. HOFFMAN, PRESIDENT, FORD FOUNDATION

Mr. HOFFMAN. If I can say so, I think there are some advantages once in a while in getting quite a long way away from Washington and looking back on the Washington scene. Out of this perhaps come some convictions.

I thought, before I started expressing my views, I ought to tell you something of the assumptions that I hold underlying those views.

My first assumption is that no nation or group of nations can win a thoroughly hot war. By this, I mean an all-out conflict of the scope of World War II. Such a war could produce only devastation, destruction, and human misery on an unimaginable scale.

Not that we would not be successful militarily. We would. But there would be no real victory, because such a war could not produce a peace worthy of the name.

How could there possibly be a meaningful victory when, according to reliable authority, the money cost to the United States alone would be one billion dollars daily? And that is the least important cost of all.

So, I want to repeat, this is my thinking about what we should do in this field of foreign aid, which stems from assumption No. 1, which is, it is not possible to have a meaningful victory under present conditions.

My second assumption is that we can win the cold war which the Kremlin has declared against the free world. By this, I mean it is

possible for free men to create, within a decade, the conditions upon which enduring peace can be built.

We can win it because the free people of the world have overwhelming material and spiritual advantages. Consider one statistic alone. The United States has half the industrial productive capacity of the world. The free countries of Western Europe have another quarter. Three-quarters of the industrial productive capacity of the globe seems to me to be an overwhelming material advantage.

Consider one fact alone which bears directly on the question of spiritual strength. The free world of Western Europe and the United States is made up of more than 400 million people who have certain inalienable rights as individuals. They cannot be pushed around by secret police. They live as men should live, in freedom and dignity.

It is only under such conditions that men can be genuinely productive and can have genuine spiritual strength. If anyone wants to have that thought driven home to them, I suggest they spend a few days in Berlin.

In the morning they should be in West Berlin, in the afternoon in East Berlin, and you will see what I am talking about, when I am talking about the great spiritual advantage that we have in the fact that we have 400 million people in the Western World living in freedom.

How we set about winning the cold war, then, is first of all a matter of realizing on our overwhelming potentialities by locking arms—by pooling our resources and talents in a common effort.

In other words, we have all the advantages that will enable us to win the cold war if we are just willing to take advantage of it and mobilize our strength.

That conviction has become a very deep conviction of mine, as I perhaps have had an opportunity since I have been free from official duties to look around and form a judgment that I assure you is completely nonpartisan and nonpolitical.

The second part of the "how," in my opinion, is to recognize that the Kremlin deliberately and systematically has mounted the cold war on four distinct fronts—military, political, informational, and economic.

One of the most disastrous approaches to this problem of winning the cold war is to approach it from the standpoint of one front only. That applies to all things.

It is a four-front war, a four-front cold war, and we have to find out what the Kremlin is doing on each one of those four fronts.

This is not a plug for the book which I wrote recently which dealt with the four-front approach to the cold-war victory. I have learned since writing a book that that does not mean it will automatically be read. I hope the few of you who have read it will bear with me if I recapitulate some of the discussions of the four-front approach.

Paradoxically, the free world first, and foremost, needs military strength if its great hope for a just peace is ever to be realized. We need sufficient military strength for a completely persuasive posture of defense.

We plan no aggression. But we need military strength of an order that will retard any aggressive idea other nations might get. We need, in short, to have whatever military strength may be necessary to neutralize and cancel out any military plans the Soviets might have.

Second, we know that on the political front the Kremlin has done everything in its power to break down democratic institutions, to destroy interest and confidence in the free way of life.

It has tried to sell the notion—all too successfully in many places—that freedom and democracy are frauds. It has asserted Moscow's everlasting concern for the downtrodden and distressed of the world while depicting the capitalistic free societies of the Western World as systems designed explicitly to grind down these same people.

Against this political aggression—for it is aggression different only in kind from military aggression—we have much to do. At the very least we have the obligation of carrying out a positive foreign policy which recognizes the upsurging desire of men everywhere to better themselves.

In other words, until the world of people generally recognize that the United States of America is interested in seeing that all peoples of the world have a chance to better themselves, our position as a great world leader is not as strong as it should be.

Closely related is the need for concerted action on the informational and propaganda front. Big lies are being broadcast daily by the Kremlin throughout the world. And, by big, I mean quantity as well as quality of lies. We need to counter those big lies with big truths.

At the same time we cannot delude ourselves that big truths, however potent they may be, will have lasting results in the minds of men unless they are accompanied by big deeds. Actually, in my experience the most effective propaganda is the propaganda in which the deed comes first and then the word.

In other words, it is the day that you open up the minds of people to any big truth you have.

This is another principle that seems to me all-important—the principle of action—then words. That is why I put so much stock in our particular ability to achieve a great cold-war victory—perhaps a decisive victory—on the fourth front I mentioned—the economic front.

If anything today should be clear to us, it is that weary, hungry, and desperate people will accept almost any nostrum that promises to fix up their ills—even the evil nostrum of communism.

This was the cure-all that was accepted by—or, more realistically, forced on—millions of people in Europe in the 3 years following World War II. It is the same cure-all that is being dangled before many millions of others today on the opposite side of the world.

Now consider the economic counteroffensive the United States launched with the Marshall plan. All the evidence indicated that it rocked the Kremlin back on its heels from the first.

Why? In my opinion, because it was positive. It was action. It was a modern method of helping people to help themselves. It was leadership of an affirmative kind, that of a leader among equals.

The idea of a supernational dictating to other nations of the world is an obsolete idea. We have to exercise leadership of a different kind. That also, I might say, applies to industry; it applies everywhere. The day of the dictator in business is gone. The day of the dictator in modern nations we hope soon will be gone, and the dictator of other nations is going, in my opinion.

I think we have to earn the right of leadership among equals. It seems terribly important to me that we continue our leadership here,

that we keep on the offensive, that we follow up on the job which has been started so well. Not for a moment am I advocating that we go on a spending spree.

A year ago, in terms of the 1950 dollar, I estimated that at an annual cost of approximately two billion dollars we could wage the peace on this front with great effectiveness in those areas throughout the world of vital interest to us.

If that two billion dollars is not spent, there is a grave question in my mind as to whether our present vast military expenditures, here and abroad, which I thoroughly approve, of around 50 to 60 billion dollars yearly will have lasting value.

Here I would like to emphasize a paragraph in a statement recently made by the Research and Policy Committee of the Committee for Economic Development:

Next to the failure to rearm, perhaps the costliest error that the United States and its allies could make in the next few years would be to act as though rearmament and security were synonymous.

The contest between the Soviet Union and the West is ultimately a contest of strength, not of arms alone; strength embraces not only armed might but, in addition, all those less measurable elements—such as greater productivity, efficiency, equity in the distribution of income, political and economic stability, and social cohesiveness and spirit—which are the real sinews or national power.

The Marshall plan, which has been the most successful element in our postwar foreign policy, was successful precisely because it recognized and emphasized the economic and social aspects of European security. It is imperative that this emphasis be preserved and sustained in the rearmament period upon which we are entering; the rearmament program must be regarded as supplementing, not replacing, the cooperative effort to build a productive, stable and united Western Europe.

Your committee has under consideration the problem of United States aid abroad. It is my understanding that, of the total of more than 8 billion dollars which you are considering 2.3 billion dollars is for economic aid, a figure which is well in line with my estimate of a year ago.

I am not in a position to pass any judgments on the amount asked for military aid—although, if General Eisenhower says that is what is needed, I am for it. But I do hold very strong views as to how foreign aid, for whatever purpose, should be administered.

Speaking now both as an individual and as a member of the Committee on the Present Danger, I would like to give you my views as to how to obtain maximum efficiency out of the dollars we spend abroad.

On this question I shall read from the report of the Committee on the Present Danger:

Military aid and economic aid are under present conditions, essentially the same. They are now parts of one program: to make our allies in all parts of the world strong enough to stand together and prevent the spread of aggression.

Both forms of aid should be administered by the same agency, which should not be a part of any existing Government department. In it should be placed the administration of all existing economic and military aid as well as the point 4 program.

It should take over the functions and personnel of the Economic Cooperation Administration and of the units of the State Department engaged exclusively in this work.

The two kinds of aid are inseparable. Both are really economic assistance; but both are principally for a military purpose. One consists largely of military equipment produced in the United States and the other is for the most part assistance to make possible greater military production in the recipient countries.

It is only through one agency handling both kinds that waste and duplication can be avoided, and intelligent, effective coordination made possible.

A single agency can better answer the many questions which have to be answered: the extent of the need in each country; whether that need can be filled better by military items or by civilian items; the extent of the ability of each country itself to produce and service items, military or civilian; the ability of our own resources to supply the needs, and the best way our resources can be so used in any particular area; what help can be interchanged between two foreign countries themselves. These questions—difficult as they are—should not be made more difficult by splitting and duplicating responsibility in budget making and administration.

Of course the single agency must operate within the broad limits of our foreign policy, which is the responsibility of the State Department, and within the military policy laid down by the Department of Defense—but its administration at home, and through its offices abroad, should be independent, as ECA has been.

Under this plan the Defense Department would still do in effect what it is now doing. All funds for procurement of military items in the United States would continue to be allotted to the Defense Department for procurement through its regular channels.

I would like to just speak informally on this matter of the importance of having the supervision of every dollar that goes abroad loaned by a single agency. It is just the simplest kind of common sense to know that if you do place that responsibility in one agency, instead of 33, which Nelson Rockefeller tells me we now have that have something to do with foreign aid, you are going to get better supervision, you are going to get value out of a dollar.

It is not a question of how many dollars; it is a question of getting maximum value out of every dime we send abroad, and that our taxpayers are certainly entitled to.

When we send money overseas, we should make \$1 do all \$1 can do. You are never going to get value out of your dollars you send abroad until you have a single agency, and you are never going to get away from some of the confusion you now have until you have a single agency.

This idea which is advanced that you cannot have an operating agency taking over certain operating functions from State and Defense, and have them work with State and Defense harmoniously, I do not think will stand up in the light of ECA experience.

The Congress, if I read correctly the testimony in the congressional hearings, was very much concerned with this question of whether, if an independent agency were created and there was an Administrator appointed, whether you would not have the problem of two Secretaries of State.

There was a provision in that law that if there was a difference of feeling between the Secretary of State and the Administrator of ECA, it should be taken to the President for resolution. For almost 2½ years there was never a difference taken to the President of the United States. We did not have a difference. It was our job to operate within policy lines.

I say that one of the difficulties that comes from any organization is if you have too much confusion between staff and operating functions. The operators ought to operate, the staff people ought to work on policies, and lay out policies, and then I think you have a proper division of labor.

Because I have given so much emphasis to the economic aspects of this program, I want to repeat a statement I made earlier. Today's cold war is a four-front war. We must have effective action on all four fronts. To be effective we must keep constantly in mind that our

aim is peace; therefore the tactics and methods used must be tactics and methods appropriate to that end.

If we bear that in mind, the strength of the free world will steadily mount; and with each day that our strength increases, our opportunity for achieving a just and enduring peace will be by that measure increased.

It seems to me altogether possible that the time may not be too distant when, from this position of strength, the free world may be able to bring into being universal disarmament under proper safeguards. That will indeed be the beginning of a new day.

We must have this effective action on all four fronts. That seems to me a matter of extreme importance. I say it because I have heard so often the statement made that if we are to be successful in this cold war we must fight fire with fire.

That means if the Kremlin engaged in some dirty work, we ought to figure out some way to engage in some dirty work. I do not believe that.

On the contrary, I believe if your program is to be effective we must keep constantly in mind that our aim is peace.

That is a background statement of the assumptions on which my views are based, and a statement as briefly as I could make it of my views.

Chairman RICHARDS. Mr. Hoffman, we thank you for that very able statement. As you know, I think everyone around the table has great admiration for the job you did.

We will proceed under the 5-minute rule. What is your situation in regard to your time today, sir?

Mr. HOFFMAN. My next engagement is 1 o'clock.

Chairman RICHARDS. We will try to get you away from here at 1 o'clock. A few of the members are pretty bad about asking questions. You can just tell them you are going, including myself.

Mr. Hoffman, you are talking about this new organization. Would you put that into effect right now or in the next fiscal year?

Mr. HOFFMAN. I happen to be of the opinion that it should have been done months ago, not now, months ago. In other words, it seemed to me that with the Korean War new factors have entered into the situation that make necessary a reappraisal of all that is going on in the foreign field.

I feel that, therefore, the quicker that you get after this creation of a single agency to handle these operating functions the better off we will be. A dollar going overseas is a dollar. Somebody has to watch that dollar.

I have used the expression, "The biggest thing we learned in ECA was the importance of guiding our dollars." In other words, they had to submit a program to us, had to tell what they were going to do with the money, what they expected to get out of the money, and then we said, "O. K., we will put up the dollars, and we will follow through." We guided and followed, in other words.

In that way you get benefits. I do not want to make any contrasts, but I think the \$12 billion that was spent under this new principle, which the Congress itself wrote into the bill—it was no invention of ours—produced much more than many times that amount of unguided dollars.

I have a great respect for governments, but the moment that governments get their hands on billions of dollars there are so many ways it can be spent.

In this case our job was to promote economic recovery, and we kept the dollars beamed on economic recovery. If you know what you want done with dollars, and guide them, you then have a chance to make their use effective.

I think if you just take, without mentioning any specific items, the appropriations to foreign governments since World War II, and contrast what happened when the dollars were unguided and when they were guided, you can get an answer to this question of whether it is worth while to have a thoroughly competent agency guiding, directing dollars.

Chairman RICHARDS. That sounds like a good proposition. But here we are in the middle of a program of technical assistance, military aid and economic aid. They are in operation now. It would take some time to reorganize them and to keep them functioning as they should, would it not?

Mr. HOFFMAN. Around 30 days.

Chairman RICHARDS. Thirty days?

Mr. HOFFMAN. Yes, sir.

Chairman RICHARDS. You feel that 30 days would allow you enough time to keep the keymen in all of them?

Mr. HOFFMAN. I do not have any doubt of it. I think the quicker the better. The danger is delay, because it is uncertainties that result in losing good men.

You have to save some of these good people. You have good people in all of these programs. The thing is that somebody has to take on the job of welding the organization together and getting it under way. You have to do it quickly.

After all, you started ECA out with one individual, and we had to start spending money at a very large rate in a very short time. You can get an organization together. You have the people. You are not out seeking people. You have good people.

It is a case of putting them together. There might be a few people dropped out of each organization, I do not know; there always are, without loss. But if someone took over that job, in 30 days you could have a functioning organization.

Mr. ROOSEVELT. What was your four-front program—military, political—

Mr. HOFFMAN. Informational and economic.

Chairman RICHARDS. You would lump all of them—military, technical and economic—into one outfit. If this new organization worked as well as this one did with its loose set-up, it would be all right?

Mr. HOFFMAN. I would like to read to you a chapter of my book. It would give it to you in greater detail.

Chairman RICHARDS. My 5 minutes are through. Dr. Eaton.

Mr. EATON. I want to express my gladness at seeing the wonderful improvement in your personal appearance. You look perfectly healthy with nothing to do.

Mr. HOFFMAN. That is fine.

Mr. EATON. If we are going to have all these functions consolidated under one head, do you suppose we could induce you to be the head?

Mr. HOFFMAN. No, sir; I have a job. Nobody seems to want me anyway.

Chairman RICHARDS. The doctor said you were not doing anything, did you not?

Mr. EATON. Yes.

Chairman RICHARDS. You are working pretty hard now.

Mr. EATON. That was the first time that he was not doing anything.

Mr. FULTON. Is Mr. Hoffman of draft age, Mr. Chairman? We should draft him for the job.

Mr. EATON. I do not think I can add anything to the very lucid and characteristic statement that our distinguished friend has made to us today.

I hope we will have the benefit of your counsel and leadership as we thread our pathway through this maze; will that be possible?

Mr. HOFFMAN. Mr. Foster, I am very happy to say, appointed me a consultant yesterday.

Mr. EATON. He did?

Mr. HOFFMAN. Yes, sir.

Mr. EATON. Mr. Foster is a genius. I am glad to hear that. You accepted the job?

Mr. HOFFMAN. Yes, sir.

Mr. EATON. Are you going to move back to Washington?

Mr. HOFFMAN. I am going around the world.

Mr. EATON. It is a great comfort to all of us to know that you have joined the army. I want to wish you all the health and strength in doing that. That is all.

Mr. HOFFMAN. Thank you, sir.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. Mr. Hoffman, it is always a pleasure to have you before the committee. As always, you have given us something to think about.

I would like to say that I am sure that this committee as a whole regrets your relinquishing the post as Administrator of the economic recovery program; we think we have a very good man in Bill Foster, who has taken over since you left.

You have mentioned what I think this committee has been considering for some time, that is, considering the possibilities of amalgamating all of these various agencies into one organization. Would it be too much, Mr. Chairman, to ask Mr. Hoffman if he could supply this committee with an outline of that proposed organization, so that we could give it serious consideration? I think it is a sound idea. If we can do something like that within 30 days, it is my impression we ought to get busy on it. As I recall Mr. Foster's testimony, it is in accord with the views expressed by him before this committee last week.

Mr. HOFFMAN. I think in my statement, Mr. Mansfield, I said that every independent agency that studied this question of foreign aid came up with the same answer. In other words, the Gordon Gray report recommended a single agency; the Rockefeller report recommended a single agency; the Brookings Institution recommended a single agency.

I would think, without having had a chance to give the Brookings report any thorough study, that they would have gone into this problem of internal organization the way I could not have, as an outsider.

They are down here, and that is a job that would take a staff of people, I would think, perhaps a month to work out all the details. No outsider could do that. The Brookings Institution has already done that. I would think their report would be good. I am sure if the problem was put up to the Budget Bureau they could work the thing out.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. MANSFIELD. Yes.

Chairman RICHARDS. Does the gentleman yield to the gentleman?

Mr. MANSFIELD. Yes.

Mr. ROOSEVELT. Nothing is ever quite black or white; something is gray in between—maybe the Gordon Gray report.

What are the disadvantages? I have heard you give very eloquently the advantages of this single institution; what are some of the disadvantages that you have thought of that come about in setting up a single agency?

Mr. HOFFMAN. I think the principal disadvantage is, as the chairman points out, that there would be a period of 90 days in which there would have to be a considerable amount of tact used by whomever was the head of this agency, because as you stepped into certain areas and began to take direction of the spending abroad, you would find some of those resistances that come up when functions are being taken away.

But I think we are in a period of such danger at the moment that the right amount of tact could be used and the thing could be worked out satisfactorily. On this particular question, I do not know any dissent from the view, except on the part of the individuals who have vested interests.

Everyone who has gotten back and looked at this has come up with the same answer, that we are not going to have the most effective use of the dollars we send abroad until the spending of those dollars is directed by a single agency.

The Gordon Gray committee was a committee of distinguished people; Dr. Mason, from Harvard, and others. I do not recall the full list of people. They were all distinguished people.

I know I always discounted my own views on this question, strong as they were, when I was at ECA, because I thought I was prejudiced in the matter. Now that I am away from ECA, it still seems rather clear to me that a single agency is the answer.

When the Rockefeller group came along and studied the situation, and came out with the same answer, and the Brookings Institution came out with the same answer, I was even more sure that I was right.

Chairman RICHARDS. The time of the gentleman has expired. May I say that when you ask other members to yield it is going to be pretty tough on them, because we are going to move down the table here. Mr. Chipperfield.

Mr. CHIPPERFIELD. Thank you for a very thorough statement, Mr. Hoffman. I have no questions.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Good morning, Mr. Hoffman. I have no questions at this time.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. It is great to have you back again, Mr. Hoffman. Not only do you do a great job, but I think you are doing one now.

Of course, this organizational problem is a difficult matter. Here is the difference between ECA and the problem that lies ahead. ECA was a temporary organization that helped write its own death sentence in that you proclaimed abroad and at home, "This is a 4-year job, and that is when it should wind up." And you told us, "Please, do not whisper anything else," and so forth.

Now we are talking about a period where Hoover says 10 years and Eisenhower 20 or 30 years. This is something permanent.

Mr. HOFFMAN. I would like to distinguish the situations, if I could, Mr. Vorys, in this way: I think that any program of aid that does not have a terminal date is missing something. In other words, I believe that the program should have a terminating date. I happen to believe after all, if you just go back to the records, you will find we have extended other countries, in the way of loans and other amounts, aside from military aid—a figure which I was never able to get accurately because it is a large figure—total aid of something over \$50 billion in the last 30 years.

I think we have not recognized—this may not be politically a wise statement—that we have to accept leadership of the free world. As leaders of the free world we have certain responsibilities.

I want to make my position clear. One of the questions that the Congress was always asking me was, "Are the Europeans grateful for what we are doing?" I took my life in my hands and said that was a matter of no consequence, that whether they were grateful or not was not important, that we should not send one dollar abroad in order to earn gratitude, because you cannot buy gratitude with dollars.

It is not that kind of a deal. We should only send money abroad for American interests. I think the best advice I got, and the first advice I got when I started in business many years ago, forty-odd years ago, from a very wise man, was to get in a growing business and a growing country and you will do all right if you are any good.

I went to Los Angeles and went into the automobile business. I could hardly get out of the way of prosperity. I think the United States is a leader of the free world; it has an interest in a prosperous world.

In other words, we will be better off in a prosperous world than a world in which there is suffering and privation. That is just horse sense.

That does not mean we are going to go out and throw money around to have a prosperous world. It means we will do the sensible thing to build prosperity. It is just the same as with any businessman in any enduring business today, a business that has lasted 50 years—you can put this down in the book—that businessman has set aside a certain amount every year to build future markets.

I say you have to have an agency figuring out what is smart for us to do in order to bring about better conditions in the world.

Mr. VORYS. That is right. But what you have just described to us, it seems to me, is a new State Department. The fellow who hands out economic aid and decides whether it goes or not, and the military aid, and whether it goes or not, is the fellow that has the political-in and know-how all over the world.

What I am wondering is if what you are describing is not a new kind of State Department.

Mr. HOFFMAN. Actually, is this not true, that the foreign policy of the United States is the policy of the United States Government? The guiding agency that guides and develops that policy is the State Department. But the State Department cannot function without considering what is in the best interest of the people locally, domestically, what is the best interest of the country from a military point of view.

So, actually while the development of policy should be clearly the function of the Department of State, the policy has to be synchronized at the Cabinet level.

You will find in the testimony that was taken in the congressional hearings on the original Marshall plan that it was said this was really a case where we are setting up a second Secretary of State. That is not true.

Because, of course, if any man takes on this job of operating in this field he must have Cabinet status. Without that he is gone. This is the kind of town you have to have that in.

Assuming that you have people of competence and good will, you will have no problem there. We had no problem in ECA. We worked within the framework of policy, of course. You have to have that.

As I say, I think this new agency should be permanent. I think it should be recognized that we have this new task. There is no way, in my opinion, of escaping it. Let us do the kind of leading that will be in our interest.

Chairman RICHARDS. Mr. Carnahan.

Mr. RIBICOFF. I will yield the gentleman my time.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. Continuing this same line of thought, are you not saying that we do have two Secretaries of State; we have a policy Secretary and an operational Secretary?

Mr. HOFFMAN. I will accept this change of language. We can say that you have two agencies of the United States Government primarily operating in the foreign field; yes. If you have this new agency, it is operating in the foreign field, and so is the Secretary of State.

Actually, your framework of policy has got to take into consideration not only the operational problems that would come to this new agency, but also the problems of the Department of Commerce and the Department of Defense.

I think that the big hope is this. Of course, I think most of you gentlemen on this committee gave solid backing to what my great friend Senator Vandenberg used to call an unpartisan foreign policy.

We are not going to be able to exercise the leadership that we have to exercise in the world until we have an unpartisan foreign policy.

While the Secretary of State can operate in an unpartisan manner, I do not think you have the same need that he be unpartisan forever. But this new agency has to be unpartisan in the full sense of the word. If it is to be effective it has to represent the American people. It cannot represent either party.

I happen to agree with Senator Vandenberg, that when it comes to foreign shores we all ought to become Americans. We have this new, to me, somewhat terrifying responsibility of world leadership.

We cannot exercise it unless we do once more reinstitute unpartisan-ship in foreign policy.

Mr. CARNAHAN. You stated that the economic and military aid are the same. I wonder if you would expand on that.

Mr. HOFFMAN. I meant this: When it comes to the impact of the dollar abroad, it does not—I will put it another way—when a dollar goes abroad and is spent in a given country it has an economic impact of one dollar.

Someone has to say how those dollars should be guided, so that in their economic impact abroad you get the most constructive result possible. This will illustrate what I mean—in relation to Great Britain and Italy, I would, as far as possible, try to concentrate military production abroad in Italy and certain other countries, rather than in Great Britain.

A person who is informed would know the exact status of employment in every country; he would know the exact facilities available; he would know if he put the dollars in one country, whether they went for military production or went for economic purposes, that the result would be to add to inflationary pressures.

He would know in another country it would be a great offset to deflationary pressures. In Italy you have substantial unemployment. You had that at least a year ago when I was familiar with it. You had something far short of effective use of Italian plants, due to the fact that with underemployment there was a tendency always to pad payrolls—unavoidable, but that was taking place in Italy.

If you could guide those dollars to Italy and the production of Italy, you would help meet that situation.

When you get to Great Britain they would have exactly the opposite effect because they have full employment. That is the judgment you have to pass on the dollars to go one way or the other.

Chairman RICHARDS. The gentleman's time has expired.

Mrs. BOLTON. I am happy to yield my time to the chairman for such use as he sees fit.

Chairman RICHARDS. I appreciate that. Mr. Ribicoff.

Mr. RIBICOFF. Mr. Hoffman, do you believe that if we are to be effective, economic assistance cannot end June 30, 1952?

Mr. HOFFMAN. No. Can I repeat again, I think you want to distinguish here between a terminating date on the program and otherwise. The Marshall plan was to end in 1952. But I am still saying today it should end ahead of schedule. I think the conditions under which that plan was set forth have changed; therefore, you are faced with a new situation.

It would be utter tragedy if you terminated ECA and did not have before you something by which to establish a new agency to operate the new economic aid program. But today you will have and will need out of the experience of ECA, in my opinion, something by which to establish an agency that will operate on a world-wide basis instead of just in a limited area, and give the kind of guidance you will get out of a competent staff directing a world-wide organization.

Mr. RIBICOFF. If this committee were to do an effective and constructive job should we immediately study and look forward to the creation of that new agency in this bill?

Mr. HOFFMAN. At once.

Mr. RIBICOFF. Because we do not have the time.

Mr. HOFFMAN. I do not think this committee could be any more constructive than to concentrate its energy, in the economic field, in getting such an agency established now.

Mr. RIBICOFF. I think your statement about our having spent \$50 billion over the last 30 years without knowing about it is correct.

If we are to be the world leaders, at least for the foreseeable future, it is going to take large sums of American money to keep the free world going, and United States, too, as a matter of fact?

Mr. HOFFMAN. I would like to break that one down. May I say that my approach is entirely, and has always been, based on what is in the United States interest. The United States is the leader of the world and should and must do certain things in its own interest.

That interest has to be an integrated interest. There is nothing less smart than I know of than to take too narrow a viewpoint. I think we have a great stake in world prosperity. You have to have a hard-headed look to see what you can do to promote that prosperity.

You can waste an enormous amount of money. That is easy to do. It is difficult to see that the dollars are spent in such a way that you can get effective results.

I do think the thing that concerned me 2 years ago, when the Spanish loan was suggested to Congress, was that it was going to one government. I was not thinking in terms of any special government. I hated to see \$50 million of American money go to any government. I figured that was a good way to see those dollars were not spent in the most constructive manner.

I think Congress wrote many things into the ECA bill. As a result, I studied that legislation and had an extremely high view of Congress, which I maintained fairly well. That was a remarkable piece of legislation. It brought new principles into this whole question of foreign relations; principles that you want to hang on to.

The first thing was, I think, that that bill made perfectly clear that we had to put the responsibility for the development of programs on the nationals of the countries we are trying to help.

We never formulated the program. That is your job, we said. You go ahead and tell us how you think, and how the recovery effort should be done for the country, how many people it will take. If you want our counsel, all right, but do not hold us responsible. We want you to tell us how to spend that money.

That put them up to the task, in the first instance, and made them responsible. That is a first principle. That was written into the bill. The principle of counterpart was written into the bill.

Chairman RICHARDS. The gentleman's time has expired. Mr. Smith.

Mr. SMITH. Mr. Hoffman, I want to first associate myself with the statement of the gentleman from Montana and his remarks about Mr. Foster.

I wonder if we have in this whole program too much emphasis upon government and not enough upon people. It leads me to this question: We know that productivity has increased beyond prewar conditions in Europe. In all of that productivity the people have not shared in it. My question is:

How can we overcome that very vital situation? It may be a very difficult thing to work out, but until the French people and the Italian people can raise the standard of living, it seems to me we are just bogged down.

Mr. HOFFMAN. I could not agree with you more, Mr. Congressman. It was a subject I did have intensive interest in. Here is the hope.

There is nothing more difficult than to change the distribution of old wealth. That should be done by revolution. But you do have a chance to change the distribution of newly created wealth.

In other words, I know that ECA today under Mr. Foster and Mr. Joyce is putting great emphasis on increased productivity and upon the importance of taking the benefits flowing from the increased productivity, and distributing them equitably.

No one knows better than I do the problem you have in Italy, of getting some of the people in authority—not in government, people in business—to recognize that these savings or earnings that come from higher productivity are distributed primarily to your workers.

Mr. SMITH. Where have they been going these years that the program has been in operation?

Mr. HOFFMAN. I am speaking particularly of France. I never felt happy about what we had accomplished in France. At the same time I felt that a great deal had been accomplished.

Let me explain why. When we started operating in France in July of 1948, workers were being paid in francs at the official rate. The official rate then was 119 to the dollar, and the black-market rate then was around 500 to the dollar.

The only place the worker could buy goods at the official rate was in those stores where they had ration goods, and there were almost no ration goods.

What he had to do was take these francs, which he got at the rate of 119 to the dollar, and get what he could with them, which was practically nothing.

In the 2 years of ECA operation these things happened: The most important thing was that the franc was revalued to about 300 to the dollar. There is no black market in France today that I know of. So the franc became a medium of exchange again.

There was a raise in wages of somewhere around 20 percent. It should have been more than that. But a trend was established.

You cannot turn these things upside down in a year. I really feel reasonably hopeful that this new emphasis that ECA is putting on productivity and an equitable distribution of those fresh earnings may have a very real impact in France and Italy.

It just happened that I discussed this morning with Bill Joyce what could be done in Italy and France to create an understanding on the part of the more forward-looking business people as to the manner in which it should be done. It is like Henry Ford when he announced that he was going to pay \$5 a day in 1914 rather than \$2 a day. He said that he was not proceeding in an unsensible way, but a sensible way.

Mr. SMITH. Do you not think the initiative should come from within those countries? Why should we be compelled to tell them what to do?

Mr. HOFFMAN. We are not telling them, but trying to persuade them.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. I will pass, Mr. Chairman.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. It is a pleasure to have you with us. You made a very excellent statement. I was glad to hear you emphasize the necessity of considering United States interest in these aid programs.

It seems that it would be well to bring about as rapidly as possible an integration of Western Europe in the economic field, the military field, and the political field.

I wonder if you will comment on ways and means to accelerate integration as we continue to give our assistance and economic aid.

Mr. HOFFMAN. I do not know any single problem. It is a long story. You had a 50-year trend against you. There were 50 years in which you moved in only one direction. That was to build the trade walls around each country higher and higher. We were trying to breach those walls. I think we were very successful in breaching those walls.

We were able to build up European trade to something in the order of 20 percent above prewar, within 2 years. We did greatly ameliorate the situation as to the currency exchange restrictions. We did point out that the greatest inequities lay in these trade barriers. We got those pretty well eliminated or reduced. We did not do too much with tariffs. Like any other country, when you hit tariffs, you hit vested interests.

You cannot move too fast. I think the trend was clearly established. I think all these things all come about gradually as the result of pressures that are built up. If you are trying to build pressures, you will move in the direction of pressure.

The big chance now is in the military field. There you have General Eisenhower, a man of such stature that he has already been able to accomplish a great deal in welding together these field forces in Europe. I think in that process he starts breaking down these barriers to unity.

You have fundamental conflicts that will not give way overnight. If we can keep the pressures on in every direction, I think it will create a situation in time in which there will be a relatively free movement of goods and people among the countries of Europe.

Mr. MERROW. You speak of keeping the pressures on. Would you comment on the advisability of writing conditions into legislation that we may enact, conditioning aid on certain accomplishments?

Mr. HOFFMAN. I think it is very hard to set those conditions rigidly. I think you have to give any administrator a good deal of flexibility.

You see, we had a provision in the 1949 act which was used to great advantage. I have forgotten the exact language—it was clear that the United States believed that the economies should be integrated. We used that. You can use general language like that, and very effectively.

I think if you try to take over the operating function itself, you will inject a rigidity which will work in the opposite direction that you think it will work when you put it into legislation.

Chairman RICHARDS. The gentleman's time is up. Mr. Hays.

Mr. HAYS. Mr. Hoffman, is our emphasis on production sufficient to give our own people an assurance that this is not a matter of favoring foreign countries over our own? Let me be specific.

There will be a tendency in times of distress such as we have in Missouri and Kansas, for example, to say that we neglect our own people. We built levees and bridges and railroads in other countries.

Now, I do not want to ask you to get into a field that you would probably wish to leave to us. However, we have to hammer these

questions out on the basis of national policy. Now, to ask you a leading question, Is not our emphasis very likely to be on military aid and production? I am asking if there is any justification at all that these proposals are in competition with domestic interests and projects?

That is a broad question, but on the basis of your experience, have we done anything under ECA that is subject to that criticism as between domestic and foreign interests? Have we indulged in grandiose schemes, for example, that represent too much capital outlay, not justified in terms of productiveness?

Mr. HOFFMAN. Well, we are getting into economics here, and I would like to make a statement. I will explain it in more detail later, if you wish.

Of course, any dollars that go abroad have to come home to be spent. The only place that dollars can ultimately be spent is in the United States. So when you send dollars abroad and they come back home, the question is, Who gets them? Now, if there is any lobby that missed me during my 2½ years down here, I do not know what it was. I think I was hit by every lobby in the United States. I think every interest has a right to fight for this provision or that. That is a part of our system, and I am all for it. I do not say that critically, but when a particular group will come to me and say, "Now, we want this law written in—"

Chairman RICHARDS. Mr. Hoffman, would you suspend for just a moment, while I make a statement? We have someone who will inform us here when they go in the well to have a roll call and I will let you know in plenty of time.

Excuse me, Mr. Hoffman. You may continue with your statement.

Mr. HOFFMAN. One lobbyist would say, "We are all for this ECA program, but we want you to support us when we put a provision in the law for any dollars spent back in America, so that if they are spent in the fruit fields they should be spent for apricots." I would say, "Wait a second. I happen to believe in free competition. When that dollar hits our shores, I am all for the apricot people and the apple people, and all other competitors having a crack at it. Let the man who can get it, get it."

"The minute we start writing provisions in as to how those dollars are spent, we are not protecting you against foreign competition, but against domestic competition, and I do not believe we should do that."

Let me say I do not know of a single case where I was able to sit down with the people who thought their interests were being adversely affected where we did not talk the thing out and prove by facts and figures that it just was not so.

Just on the figures of total production in America,—or gross national output, rather—it was in the neighborhood of \$275,000,000,000 a year. Now, these figures are not fresh in my mind, but it seems to me if I remember it right that the total value of our industrial and agricultural output was something around \$150,000,000,000, or in that neighborhood.

What was being talked about was the impact of perhaps \$500,000,000 more of imports in America. It was that \$500,000,000 more against \$150,000,000,000. When you break it down to show where it hits individually, I never found a case myself where it seemed to me that industry had to be protected against anything except its own fears.

Those goods coming here for the most part were not in competition with our goods.

I can go over that case by case if you want me to.

Chairman RICHARDS. The gentleman's time has expired.

Dr. Judd.

Mr. JUDD. Thank you, Mr. Chairman.

Mr. Hoffman, I applaud thoroughly what you have said this morning so much better than I have been able to say it. I especially am grateful for your saying that we must get this organizational problem hammered out now, late as it is. I think there is a lesson to be learned from what happened in the spring of 1948, when we were facing the problem of ECA organization.

In this committee we were in executive session for four solid weeks, and we debated and rewrote and voted up and down various provisions of the bill day after day. The commentators and cartoonists and the Administration and most everybody else blasted us as few committees have ever been criticized. They said it was delaying and stalling the foreign aid program and that speed was the most important factor. They said we were dilatory and obstructionist and so on.

But we stayed at it until we got what we thought was sound because that was even more important than speed. We finally got the bill in shape and passed within one day of schedule.

I think the best thing we did was to take the time necessary to get a good law that you say has worked well. I believe we ought to learn a lesson from that for dealing with our problem now.

I have only two questions at this time. Is it not true that the weaker or the less developed a government is, the stricter must be the supervision in guiding and following the dollars?

Mr. HOFFMAN. Yes, sir.

Mr. JUDD. Now, referring to the technical assistance program it is said this must be handled through the United Nations. The United Nations is still a somewhat sketchy organization and in general has not developed good operating organization, and it cannot in so short a time.

Do you think that our money for technical assistance can be either guided or followed through that international organization in its present condition as well as it can be guided by the kind of organization you talk about, a United States organization that you recommend our setting up here now?

Mr. HOFFMAN. I do not really feel qualified to answer that because I am not too familiar with the United Nations Technical Assistance Committee. I do feel it is highly important that there be the closest collaboration and, if possible, a working through the United Nations wherever they are able to do the job. I think that would have to be a case of an individual judgment.

If they are set up so that they can handle this, then all right; but I think the important thing is to see that the dollars that our taxpayers send out are going to produce results in the form of economic recovery, military production, or whatever their purpose may be, to the maximum result.

I, therefore, would not deal with that in terms of the specific, but rather in generalities.

Mr. JUDD. Thank you. That is all.

Chairman RICHARDS. Mr. Roosevelt.】

Mr. ROOSEVELT. Thank you, Mr. Chairman.

Mr. Hoffman, may I join my other colleagues in congratulating you on, I think, one of the most able and clear presentations that has been made on the necessity of this whole program. I am particularly interested in this operating-agency problem—the four-pronged attack, as I see it, as you stated, was military, political, information, and economic.

Now, I can see how the military and economic could very readily be put into a successor to ECA—an operating new agency. I am not worried about the time element of how long it ought to go, because I think that will depend on the situations, which will vary from one area of the world to another. Our program in the Far East and southeastern Asia will undoubtedly be a much longer program than the program in Western Europe.

However, when you get into the political and into the information end of the program, I am not at all sure that those two functions ought to be in this operating agency, because the political, it seems to me, really is a function under the Constitution and the President of the United States, and also, through him, of the Secretary of State.

The information program is more of an adjunct of the political than it is the military or economic, although, of course, it overlaps, and there is a need for propagandizing the truth in those two fields too.

Do you contemplate that this agency should take on the political and information aspects of the program, Mr. Hoffman?

Mr. HOFFMAN. I did not make myself clear, Mr. Roosevelt. I think this agency should take on only the economic aspects of the program. In other words, the political aspects of this program should be carried out by the State Department. The military, obviously, should be carried out by the military. I happen to believe that the informational activities which are now lodged in the State Department and are scattered through some agencies insofar as the foreign field are concerned, would be much better carried out if that agency was independent; but that is a separate issue.

Mr. ROOSEVELT. That is Bill Benton's idea. My worry is that each one of those fellows is going to come in on his independent phase of the program and set up a separate agency for that. Bill Benton happens to be a bug on information. He wants a separate agency for that. You want one for economic.

Mr. HOFFMAN. No. I am talking about economic only, because only where the military has a position in the economic field would this new agency undertake any responsibilities in that field.

Mr. ROOSEVELT. Would the military end items be excluded from this agency?

Mr. HOFFMAN. Anything shipped from this country or made in this country, in my opinion, would have to be decided upon by the military—talking now about the dollars that go for military items to be shipped abroad.

Mr. ROOSEVELT. I see.

Mr. HOFFMAN. I think this agency should have a great deal to say about what is produced here and what is produced abroad. I think they should have a voice about that, but I do not think their voice should necessarily be controlling. I do think there is a question of judgment there, and I think there is an inclination always to solve a problem here by giving out a new contract in America, which you may

not be able to get filled for 3 years; whereas you might get that contract filled in some foreign country the day after tomorrow.

So I think he should have independence so that he will have his voice heard when it comes to decisions as to where end items can best be made. But he would have nothing whatever to do with developing the military strategy.

Mr. ROOSEVELT. Do you draw a parallel between this situation and the similar problem that confronted us last year in setting up Charles Wilson as an independent agency for the defense mobilization effort outside of the Department of Commerce, because he could, of course, have been put in the Department of Commerce? Do you draw a similar parallel to that?

Mr. HOFFMAN. I think, of course, that was a very wise move. I believe it took someone of Mr. Wilson's stature to get this program under way.

Mr. ROOSEVELT. Of cabinet level, reporting to the President.

Mr. HOFFMAN. Of cabinet level, at least. It certainly had to be of cabinet level to get the job done. I think this other agency differs from Mr. Wilson's. I think it should be a permanent agency—and again I will say that this program, like every program authorized by Congress, should have a terminal point, but the agency itself would be there, and we would be saying we will have this job for that agency.

Mr. ROOSEVELT. One last question. You used a phrase which I think is very important and very significant, that the United States must earn the right to world leadership. I would like for the record to state we can only really earn anything—and you have said this in different words by your use of the word "enlightened," I think you can even make it stronger and say "unselfish," because what is unselfish in the short run is going to be to our long-run advantage.

Chairman RICHARDS. The gentleman's time has expired.

I will recognize Mr. Fulton. Then we will have time to go down to the floor, and the committee will recess for 10 minutes.

Mr. FULTON. It is a pleasure to have you back, Mr. Hoffman. We always feel we are welcoming you back on the team again.

After the start of the Marshall Plan program in 1948 we look at you as one of the ex-officio members of this committee, and one in whom we have great confidence. I would like to suggest that we draft Mr. Hoffman for the 90 days to help set this agency up. It is going to take somebody with experience, who will look at the agency as it should be, without trying to build an empire. It will be the greatest help to have you serve, and I am sure this committee has the greatest confidence in your diplomacy and ability along that line.

As a matter of fact, as a Republican I am very proud of you too, and I would run you for President if I had a chance.

Now, going back to the bill itself, there has been a guaranty provision that permitted American businessmen to invest abroad. We will not go into the provisions because we are rushed for time.

Do you think it would be wise to continue some sort of a guaranty in future legislation for American businessmen, and even to extend that guaranty, possibly, to a guaranty against loss on the depreciation of currency?

Mr. HOFFMAN. I wonder if that is not a question Nelson Rockefeller could answer better than I could, because he has been in that whole field and made a thorough study of it.

Mr. FULTON. Then we will skip that for now. The question is on amount. Among many conservative people who feel we might be just throwing dollars away, they all wonder is the amount right. What, in your judgment, as a businessman, and with the interests of America first, do you feel about the amount? Can it be reduced, or what will be the effects if the program is reduced in amount?

Mr. HOFFMAN. Of course, as I said earlier in my written statement, I can express a judgment only on the economic area.

Mr. FULTON. We will limit it to economic.

Mr. HOFFMAN. I felt there as a continuing policy we could well afford to put 1 percent a year of our gross income into what I call promotional activities throughout the world—promotional from the standpoint of promoting peace and prosperity. As a businessman, it would not worry me a bit; I would feel I was very negligent if I did not find ways to seek out investment for the long-run interests of my concern.

Mr. FULTON. May I ask you this, because the question will come up, and it should be said directly, without any rancor, or without putting one personality against another: Senator Taft recommended that the program be divided over 2 years with the same amount, which, in effect, seems a 50-percent cut. What, in your estimation, would be the results of that on this program?

Mr. HOFFMAN. I just think if a program is going to be effective—in the first place, we are going to spend a certain amount of money on it, whether it takes \$2,000,000,000 or \$1,200,000,000, or something like that. I believe we should either get the \$2,000,000,000 to do it effectively or else we will be cutting it down to the point where the whole program is a waste of money.

Mr. FULTON. You dilute it so much that you waste money.

Mr. HOFFMAN. Yes.

Mr. FULTON. And then you lose the confidence of the people.

Thank you very much.

Chairman RICHARDS. The committee stands in recess for 10 minutes.

(Whereupon, at 11:30 a. m., the committee recessed for 10 minutes, until 11:40 a. m. of the same day.)

Chairman RICHARDS. The committee will come to order, please. We will resume the hearings.

Mr. Jackson.

Mr. JACKSON. Mr. Hoffman, as is always the case, you made an excellent presentation here this morning. It is always good to see my fellow Californian. Not only did I read your book but I bought it.

Mr. HOFFMAN. That was a mistake.

Mr. JACKSON. While I frequently find myself cast in the role of a devil's advocate on this committee and sometimes disagree with the broad policies that are laid down, I still find that you are the most pleasant person to disagree with, even on minor points.

I know comparisons are odious; but, without any reflection on the Studebaker, I would say that you probably are more like a model T Ford, because we know once you step on the starter that a certain consistency is to be found in your work. That is, the things you

said in 1947 you said in 1948, 1949, 1950, and now. That, in itself, is unusual, because we have met with some pretty sharp-angled changes of course here in this committee.

On the matter of "unpartisanship" that you mentioned—and I think it is extremely important—it appears to me that if we are going to win this mortal struggle in which we find ourselves today, we are going to have to return to nonpartisanship in foreign affairs. Mr. Hoffman, what do you consider to be the necessary ingredients for a return to bipartisanship?

Mr. HOFFMAN. Why, of course, I was thinking, Mr. Jackson, in terms of this agency. I think the first thing that has to be done is it has to be operated in a thoroughly unpartisan way. I think Mr. Foster, for example, is operating ECA that way, and completely unpartisan, so that I have something very specific in mind. That means very definitely when it comes to the matter of personnel that that personnel be selected on merit, and not selected for political reasons, as a practical thing. It means, when it comes to the development of policies, that it would be my hope we could return to that situation we had for a time, when Senator Vandenberg was in the Senate, in which we did have a genuinely unpartisan foreign policy.

You remember, I think, it was in 1948, and I think through most of 1949, and at least it was during the Eightieth Congress, if I remember correctly, that there was not a single vote that came out of the Senate Foreign Relations Committee that was not unanimous. They took their time, as Mr. Judd suggests, to study the issues thoroughly and get a look at all the facts. Then they looked at those facts as Americans and decided what were the best interests of America when it came to foreign policy.

I think we have got to get back to that as one of the assumptions.

Mr. JACKSON. Acknowledging that, is it not also essential as a necessary ingredient in any nonpartisan or unpartisan program that in back of the policy and behind the operation, in the analysis stage and at the policy level, that consultation is also vital to the success of any program?

Mr. HOFFMAN. Surely.

Mr. JACKSON. We wrote a minority report here on the first arms-aid bill, and I will never forget one sentence that said it is not enough; that our differences end at the water's edge and they should end at the conference table long before they reach the water's edge.

Mr. HOFFMAN. I completely agree with that.

Mr. JACKSON. Lack of such consultation on policy is probably the rock and the whirlpool upon which the unpartisan policy has come to rack and ruin. I agree that Mr. Foster is doing a splendid job of carrying out the excellent tradition that you established during the time you were with ECA in the operational field and in the administration of policies which have been determined upon, but I think unpartisanship has to spring from policy.

Mr. HOFFMAN. I completely agree. I think what has got to resurge is a recognition in the Congress and in the Executive that we cannot afford partisanship in foreign policy. That does not mean we do not need debate. That is not the point at all, but it is the whole question of how you approach it.

If you approach it from the determination of foreign policy as an American, to find out what is best for America, I am all for it. If

you decide to approach foreign policy from the question of what is the party advantage one way or another, we do not come out with the kind of foreign policy that will give us the position of leadership we must have.

Mr. JACKSON. I am in the fullest measure of accord with you on that. I recall the Vandenberg days, when it was not at all unusual for both the chairman of the committee and the minority member of the committee to leave the committee room to go to the White House. I think we have suffered in the interim from that lack of consultation and lack of conference as between the two great political parties, and I certainly hope we will return in time to the point where we will have that nonpartisan approach to foreign policy.

Mr. HOFFMAN. It will be a very wonderful thing when it happens.

Mr. JACKSON. Thank you.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Thank you, Mr. Chairman.

Mr. Hoffman, I want to associate myself with the very nice things that have been said about you in the operation you conducted, and particularly compliment you on the fact that you have been giving so much thought to the organizational side of the problem. I think often we thought of the program in terms of cash and not how it was going to be administered.

If I may sum up, it seems to me you said with respect to this organization that it should be primarily an economic organization operating overseas, and that it should embrace within it all direct economic aid or technical assistance programs wherever they may be found.

Mr. HOFFMAN. That is correct.

Mr. HERTER. Further, that it have a consultative voice at least in all offshore procurement programs of a military nature with regard to the economic impact, but should not directly concern itself with, say, the allocation of end items that come from the United States.

Mr. HOFFMAN. That is correct.

Mr. HERTER. Because that is essentially a military function.

Mr. HOFFMAN. That is correct.

Mr. HERTER. I am glad of that clear statement of what you envisage in this organization, but may I go one step further? We have two very important organizations, both having their headquarters in this country, one international and one national, which put dollars into the foreign field. They are the Export-Import Bank and the World Bank. How would you tie them in? It seems to me their operations, both from a technical assistance point of view and from the point of view of putting dollars into foreign countries, ought in some way to be tied into the picture.

Mr. HOFFMAN. I definitely think they should. In other words, my view is that, as far as Export-Import is concerned, the head of this central agency should have at least a veto power on any moneys going abroad and loans going abroad, because otherwise you have just one more channel for duplication.

Mr. HERTER. The World Bank is an international organization.

Mr. HOFFMAN. Obviously, you cannot have the same kind of control in the International Bank. I am not as familiar as I should be with the exact organization of that bank, but I think the administrator of this new central agency would have to have a seat of power

within it. I mean, he would have to be on the executive committee, or some place where his views would have to be heard. It actually happened during the time I was down here. I think the same thing is true with Mr. Foster. Our personal relationships with Mr. McCloy and Mr. Black were such that we had no problem, because we discussed all these loans they were thinking of making and they were always good enough to come to us and say, "What about the impact of this loan to Turkey? Do you think we ought to go ahead with it?" That was informal, and that is one of the best ways of control; but I think in developing legislation there ought to be some place provided for the administrator of this new agency where he could have a formal right to voice his views as to loans made by an international agency in which the United States is putting up a substantial part of the money.

Mr. HERTER. I wonder if you would care to comment on that one great problem Mr. Jackson raised, which is a very important one, I think, when he talked about the operational job being an unpartisan job entirely? The difficulties, I think, have arisen at the policy level, as Mr. Jackson indicated. There the mechanics were different. When we go back to the Vandenberg days, when consultation was an essential, because the Executive did not control both branches of the Government. Since then they have controlled both branches of the Government, and a lot of the unpartisan or consultative operational and policy determinations have been made without consultations at any level at all.

I am very glad to hear what you said, and perhaps you will want to emphasize it even more strongly.

Mr. HOFFMAN. Of course, I believe with you that unpartisanism does start at the consultative level on policies. That is where it should start, I believe. I just feel that perhaps in the setting up, or in the consideration of the setting up of the whole agency, this question of unpartisanism should be brought out in the open, and its importance again stressed.

As I told the story in my book, I thought Senator Vandenberg really salvaged unpartisanism last year when he was desperately ill at the Wardman Park Hotel and took over that task.

I would like, if I may, partly for the record and partly to be sure this is clear, to read one more paragraph from the statement of the Committee on the Present Danger on this point of the relationship between the Department of Defense and this new agency on procurement.

What was recommended is that—

The Defense Department's relationship to the new administration would be essentially the same as Defense's present relationship to State in the mutual defense-assistance program. Defense would do in effect what it is now doing. It would supply the data as to what equipment is necessary for the proposed troop basis of our allies, its cost, the necessary timetable for its delivery, the fitness of facilities to produce a particular item, the items which as a matter of security must be produced in the United States, and the availability in the United States of facilities to produce items needed to be produced here for reasons of timetable or security. All funds for procurement of military items and parts in the United States would be allotted to the Defense Department for procurement through its regular channels, as is done now.

Chairman RICHARDS. The time of the gentleman has expired.
Mr. Reece.

Mr. REECE. Referring to your statement regarding the foreign policy, with which I am in complete agreement myself, I just want to make this remark based on my observations: That I think most, if not all men in public life—and I am referring particularly to the Hill—do believe in that policy and try to live up to it; but, of course, that does not mean that, especially since they are not brought in on a consultative level, they may not have a difference of opinion.

Mr. HOFFMAN. Surely.

Mr. REECE. But when that difference of opinion to which they give expression arises, that is based on the same patriotic feeling arising out of their conception of the good to the country and to the world, and that probably the adverse opinion arose from it. I think sometimes we fall into error in assuming that anyone who expresses a difference of opinion is basing it on partisan grounds, since most of the people in our country belong to one of two great political parties.

Now, having made that statement, I want to ask a question, if I may, Mr. Chairman, which is outside of the purview of this bill. I am asking it particularly of you since you are present, and there is also present Mr. Rockefeller, and you are two gentlemen who are associated with two of the greatest evolutionary and philanthropic institutions in the whole world.

There is quite a displaced persons problem—an individual relief problem—that we run into and which I am sure you have encountered in various nations. Turkey has one, of their refugees coming from behind the iron curtain. Israel has one of people coming into that country. The Arab countries have another.

Now, how to deal with that problem is really a big one. I am wondering if the institution with which you are associated—and the same thing applies to the one which bears the name of your associate who is with you here this morning—has given any consideration as to whether or not the scope of your activities would enable you to give consideration to setting up, for instance, taking Turkey as an example, a small city or housing project into which you might bring these refugees; then, in connection with that, setting up some kind of vocational or industrial activity which in the long run might, under some terms of agreement, be made available to those people who would come in and work in that industry, so that ultimately it would revert to private enterprise? If so, it would seem to me as if that kind of a project in Turkey, or Israel, or one of the Arab countries, would stand as a magnificent memorial to private enterprise.

I am just wondering whether your organization would enable you to give consideration to that. I am asking this more or less out of my personal interest in the possibility of that, and it has no immediate connection with the bill.

Mr. HOFFMAN. I will speak first for the Ford Foundation and say that our first interest in this displaced persons problem was perhaps from an American viewpoint. There were among the displaced persons in Germany and other countries men who we felt could greatly enrich American life; men of high professional standing and some men who were scientists, and men of real parts and real intellectual attainments.

We gave to a committee headed by Mr. Reinhold Niebuhr \$500,000 to assist in bringing that particular group to America, prior to the expiration date for the entrance of displaced persons, which I think is the end of this year.

The broader problem of what can be done to assimilate these people into the fabric of the life of these countries is a problem to which a good many people have given much attention. One of the reasons that I am going abroad shortly again is to go into the Near East to see what is being done there, and to go to India to see what is being done there. Mr. Chester Davis, whom most of you know, will be one of the group, as well as Mr. John Cowles. We will just take a look at this problem to see if we can find out something about it. What we can do we do not know yet, but that is one of the purposes of our trip to the Near East and India at this time of the year.

Just about nobody I know of knows as much as Mr. Nelson Rockefeller of what can be done abroad with this type of activity.

Mr. REECE. That is the reason I am asking this question, since you and Mr. Rockefeller are both here at the same time.

Mr. HOFFMAN. You heard from an amateur, and you will soon hear from a professional about it.

Mr. REECE. I was impressed with what you said, that we should assume our position of enlightened world leadership. I am one who feels rather that world leadership comes to a nation involuntarily, and it is something you assume by reason of the position that is occupied and the personalities involved. I feel we must recognize our responsibility in that regard.

But what I would like very much to see is that we assume or exercise the position of leadership in fields other than spending.

Now, as to our position of world leadership when it comes to spending, that is, making money available, I think that is recognized abroad and at home, but when some of the more acute political questions that bodily involve our interests come up, then I do not know that our leadership is so well recognized.

Take, for instance, the disagreement among our allies or associates in the free world with reference to giving Red China a seat in the United Nations, or with reference to the admission of certain countries like Turkey, Greece, and Spain, to the NATO orbit. When those more or less political questions come up our leadership is not so acknowledged as it is when it comes to providing billions for aid abroad.

I am kind of expatiating there rather than asking a question, but it would be interesting to have your reactions on it.

Mr. HOFFMAN. Well, that is a pretty big question. I think there again we have got to earn the right of leadership by demonstrating our political wisdom. I think wisdom is something you acquire the very hard way.

Some of my most assured convictions had to give way as I began to learn something about the world. I think that the point there is that we do not have all the right answers. I am not speaking of the particular questions you raise at all. My position on Red China is very clear. I do not think Red China should be recognized and never have thought it should be recognized. I do not think any regime should be recognized that has acquired power by violence until it has demonstrated over a sufficiently long period of time that it is the only government in that country. When that time comes, even though you may not like the government, it is the government, and there you are.

However, I do not think that is necessarily the case, and I hope it is not the case insofar as Red China is concerned.

I do think that we have got to recognize that by leadership we do not mean that the American position always has to be taken by everyone else. I think we have got to get into the discussions and we have got to learn ourselves as we go along. We have to be willing to give and take.

I think one of the most dangerous notions—and I can say this now very freely because I am no longer in Government—one of the most dangerous notions is the idea that the fact that you give aid gives you the right to dictate. That is not the way to get results. Even if you could use it that way, it is not the way to get results. You have got to use persuasion and have to have a little giving and taking, as you go along.

Mr. JUDD. And there is no assurance our way is the right way for others.

Mr. HOFFMAN. As I say, I have learned a certain amount of humility and I am not nearly as sure that my way is the right way as I was 20 years ago.

Mr. REECE. I am in complete agreement with that statement. I think we all assume that posture as we grow a little older and have a little wider experience. But it would seem to me one of the first considerations in assuming leadership or asserting leadership, or persuading others to accept your viewpoint, is making sure that you have no selfish interest back of the position taken.

In these questions that arise now there is one great interest involved. That is, the maintenance of the free countries of the world. That should be the one guiding principle, I think, in any recommendation that is involved. We have no right to ask other countries to take the position that advances our selfish interest. Another country does not have any right to advise on a course of action that is for their selfish interest and is not for the interests of the strengthening and the maintenance of the free world. I am not one who feels that our history during the past few years is such that we ought to be looked upon with great suspicion, because we have asked for no gains that can be seen anywhere along the whole front.

Mr. HOFFMAN. I think you are raising quite a question there. We have a tremendous problem throughout the world. America is not understood. The Russians have always pictured us, of course, as highly materialistic, interested only in bathtubs and automobiles; and particularly among intellectuals in other countries there is not a recognition, I think, of what American progress in areas other than the material area has been.

I think by one method or another we have to acquaint people with what really is the glory of America, and that to my mind is the great enhancement that has come about here in this country in the past 50 years, and has given opportunity to the individual to grow and develop materially, intellectually, and spiritually. That is our great achievement and that has come, I think, in a particularly rapid manner in the past 50 years. The world does not know about that. They know about our automobiles and our bathtubs, but they do not know how much greater the opportunity of the average man is today just to grow and develop intellectually and to grow and develop spiritually than it was 50 years ago.

That is not known, and that is the real achievement of America. That is what we have to bring about an understanding of throughout

the world, and that does not come easily, but comes slowly by deeds rather than words.

Chairman RICHARDS. That is all, Mr. Reece. Your time has expired.

Mr. REECE. Yes, Mr. Chairman. Thank you.

Chairman RICHARDS. Mr. Hoffman, may I ask a question, and then we will go along to some of the others who may have some additional questions?

You want to set up a new organization to handle the whole program except military end items. If that is the case, this committee would not have any jurisdiction over military end items. We have been given jurisdiction because it is assumed these different forms of aid are related to each other and the requirements in the field of one type of aid might decrease or increase the needs in another.

When you talk about end items, what are military end items? How far do they go? Maybe we should ask the military men about that, but I would like to have your idea about that.

Mr. HOFFMAN. Of course, I think as a matter of practical operation the head of this new agency, as it is set up, has got to have a very loud voice after this data is supplied, in accordance with this program which I read to you—a very loud voice in deciding whether end items should be produced in this country or abroad. I do not think an agency dealing entirely in the foreign field should have exclusive authority there, but I think the voice should be loud.

In other words, I think that the military would be naturally inclined to have as much of that military equipment built here as possible. On the other hand, I think that you should do here as you did in setting up the ECA where you gave the administrator a voice. Then if he cannot make his voice heard, that is his fault.

Chairman RICHARDS. Should he say so many of these end items should be manufactured abroad, and so many in this country? Should he have authority to that extent?

Mr. HOFFMAN. You have in the room here a man who knows so much more about this than I do that it is a shame to ask me that question. That is Tracy Voorhees, who was Assistant Secretary of War and who would know much more about the practical operations of this than I would. If, under your regulations, I could give way to Mr. Voorhees, I think that would be much better.

Chairman RICHARDS. We will hear him later.

Mr. JUDD. Why not hear him at this particular point if he is here?

Chairman RICHARDS. The present witness has a time limit.

Mr. JUDD. All right.

Chairman RICHARDS. I think we had better hold that over. We will certainly remember that point.

Mr. HOFFMAN. Just save that for Mr. Voorhees.

Chairman RICHARDS. Mr. Hoffman has to get away from here.

Are there any other questions on either side of the table?

Mr. VOYRS. Yes; I have a question, Mr. Chairman.

We heard from Mr. Cabot, who is the present Director of Mutual Security—that is his title. He is down two or three layers in the Department of State, and he says that if you set up this new organization you will still have the problem of coordination between departments that you have now, a problem that is so baffling to us. There-

fore, according to this view, you will not have solved anything by setting up one new separate department that still has to coordinate.

What do you think of that?

Mr. HOFFMAN. Well, I will tell you. This has been my observation: There is no real difficulty in getting coordination at the top level. The lower down you go, the more difficult the cooperation and the more jurisdictional issues become controlling. In other words, I never had a difference with the Secretary of State or the Secretary of Defense while I was here that we could not resolve by talking things out. But, down the line I used to have to jump in at times and settle some terribly important jurisdictional battles as to who did this or this rather unimportant thing. I think that I am trying to answer that question quite bluntly and say to you in other words that as to coordination the lower the layer, the tougher the coordination.

Chairman RICHARDS. Will the gentleman yield?

Mr. VORYS. Yes.

Chairman RICHARDS. If it works so well, what is the use of setting up a new organization on this thing?

Mr. HOFFMAN. Well, I am talking now about the—I do not know quite what the question is.

Chairman RICHARDS. I mean, one central organization.

Mr. HOFFMAN. Well, I want one central organization to handle economic aid. The reasons for that I have tried to give. I think they are very real. If you scatter them out as you have now among a large number of agencies, then obviously you have multiplied your problem of coordination.

Chairman RICHARDS. You are talking strictly from a business standpoint as to how you would organize an operating partnership or corporation.

Mr. HOFFMAN. I am afraid that is so.

Chairman RICHARDS. I think that is a good path to follow. However, there are some other difficulties in this, such as constitutional difficulties, and matters of policy, and other matters that come into this that would not come into the operation of a private enterprise.

Go ahead, Mr. Vorys.

Mr. VORYS. I have two things I want to ask about. You said you had no differences with the Secretary of State. I heard Mr. Foster at the annual meeting of ECA this year say, "We have never had any differences." Frankly, that is an awfully good reason—

Mr. HOFFMAN. I did not say that. I said I had no differences we could not resolve.

Mr. VORYS. Yes. That you could not resolve.

Mr. HOFFMAN. That is right. We had some very real differences.

Mr. VORYS. Maybe he said the same thing, but I recollect he said "no differences." That is an awfully good argument for not setting up a new organization, it seems to me. If you have no differences, that is what it indicates to me.

We hear constantly about differences between Cabinet officers that have to be resolved by the President. That is a healthy thing in that it shows we had to have these separate departments and we have to have a President to resolve their differences. But if out of these turbulent times there is nothing that needed to be referred to the President, that may indicate, one, that we have had godlike men administering it, which may be true; and, two, it also may indicate that there is no need for a separate set-up.

Mr. HOFFMAN. I would not or I do not follow your logic on that. In the first place, my real point is that there are at least a dozen agencies in Government that have a considerable influence²—either direct control or influence over the flow of dollars abroad. So we are talking now about consolidating those functions into one agency. I think if you want to limit your argument as to whether you should take, for example, point 4 away from the State Department, then I think what you would have to say would have some application. The other agencies, no.

But I would argue very vigorously for this point of view, Mr. Vorys, and say the great advantage and the reason why this agency was given Cabinet status is this. It was nothing I knew about until I came to Washington, but the Congress put that in the bill and I found it was an extremely important provision. I found as far as privileges are concerned, all it ever got me was the right to have the use of my car and driver in the evening. That is the only practical thing I ever got from getting Cabinet status; but what it did psychologically was this: If something was happening in some other department of the Government, not only State or Defense, but any other department of the Government, I would go and call on whoever the head of that department was and say, "You know, things are going on here that I think you are not familiar with. Let us talk them out because the issues are very important ones to me and I want to get this thing squared away. There is no reason why, if we have all the facts in front of us, we cannot settle it and not have these jurisdictional conflicts, and not have your boys start over where our boys are operating." We would talk it out right there.

If I had not had Cabinet status, sir, they would have issued the orders and I would have been down the line and coming up and pleading with them please not to do it. In every case they knew, and I hope I was never indelicate enough to stress the point, that I had the right of appeal to the President; and, believe me, that is an extremely important right here in Washington if you want to be able to argue on terms as an equal among equals.

Mr. JUDD. It was only because you had a separate agency that you could resolve your differences. Otherwise you would just have had to bow to them.

Mr. HOFFMAN. Otherwise you could never have resolved them, and in my opinion ECA could not have been operated if it had not been independent fully in that field, and if it had not had independent status, and if as head of it the Administrator had not had Cabinet status so that he could talk as an equal among equals.

Mr. VORYS. In some of these questions I am the devil's advocate bringing up various points of view that have been brought before the committee.

Here is one: You used the word "operating." As I get it, ECA does not operate at all in that it does not procure anything.

Mr. HOFFMAN. That is right.

Mr. VORYS. Other agencies procure.

Mr. HOFFMAN. That is right.

Mr. VORYS. You have to coordinate.

Mr. HOFFMAN. That is right.

Mr. VORYS. That is, you cannot give orders.

Mr. HOFFMAN. Oh, yes; you do.

Mr. VORYS. But in this coordination business, you have to get some other department, such as General Services or Treasury, to do the procurement. Is that not right?

Mr. HOFFMAN. We were not a procurement agency. I think the best way to say it or to describe our function is in a very real sense, or in a very big sense, we were investment bankers. In other words, we were acting as investment bankers for programs for these foreign countries, and we were following their procurement to make sure they complied both with the law and with common sense.

In other words, whatever they bought in the United States had to be bought at the lowest competitive prices.

Mr. VORYS. But you had your own budget?

Mr. HOFFMAN. That is right.

Mr. VORYS. You did not have to go to anybody else for the money. When you signed something—

Mr. HOFFMAN. When we O. K.'d a program for a foreign country that country could then step in and proceed with its buying in a normal way and, as far as possible, under the law, through private trade channels.

Mr. VORYS. But on the operating part of it the control was that you had the power to say "yes" or "no" as to whether some foreign country got the money.

Mr. HOFFMAN. Surely. That is right.

Mr. VORYS. And in that sense you were operating.

Mr. HOFFMAN. We were operating. Surely. I think the best way to describe it is we were operating as bankers. We were following through.

As you know, under the law, we were directed to follow through, and we did make sure to follow through in order to make sure, No. 1, the buying was done intelligently in this country; and, secondly, we were to follow through to see that the end use for which that money was spent was in accordance with the programing. That was our job to follow through on.

Mr. VORYS. And to procure through private enterprise.

Mr. HOFFMAN. And let them buy normally. We just furnished the dollars. They did the buying themselves. You had to watch once in a while on kick-backs or little things like that.

Mr. VORYS. But you had a control there.

Mr. HOFFMAN. Surely.

Mr. VORYS. Through your post-audit on a country that was an operating control.

Mr. HOFFMAN. We post-audited everything. You bet.

Mr. VORYS. And you could put the squeeze on after the fact.

Mr. HOFFMAN. Surely. We could charge back anything to a country if there was evidence they had not bought intelligently, or had in any way violated any of the provisions of the law. We relied largely on the post-audit.

Mr. VORYS. I yield.

Chairman RICHARDS. Mrs. Bolton, I believe you have a question.

Mrs. BOLTON. Yes, sir. I have a question or two I would like to bring out at this point.

On this following-up business, Mr. Hoffman, you suggest we should follow up the dollar. To do that there would have to be certain political climates in order to have the dollar produced. Who has the responsibility for seeing to it that the political climate is right?

Mr. HOFFMAN. In a given country if, for example, without mentioning any country in particular, there was evidence that either tax laws, or trade barriers, or anything of that kind existed—because there again we had the backing of the law itself, the backing also of the original OEEC agreement among the countries, and the backing of our bilateral agreements, in which there was an agreement that the trade practices, and the laws, and their own laws would be such as to encourage the maximum effective use of those dollars—we could always step in and say that the situation in this country was very bad, with the tax laws as they were, let us say, and something has to be done or these dollars were going to be wasted. We would take these problems up with the embassy, and the embassy would deal with the matter. That was not our business. In other words, that entered another field.

You had to have the closest kind of cooperation between your Chief of Mission of ECA and the—

Mrs. BOLTON. Would you include in such cooperation the moral background of what is going on in a country?

Mr. HOFFMAN. Oh, yes; I would.

Mrs. BOLTON. And the integrity of a country insofar as its agreements are concerned with other countries and, let us say, with the United Nations?

Mr. HOFFMAN. Yes. I would feel that we had a right, or I always felt we had a perfect right either to extend aid or withdraw aid, depending on the conditions within that country as they affected the use of that aid from a recovery standpoint.

Mrs. BOLTON. As they affected the use of it there and also as to its influence on other countries, and with what it did with that money. Supposing there was a project considered which might make it far more difficult for a neighboring country to pursue its peaceful course.

Mr. HOFFMAN. Oh, of course. Sure.

Mrs. BOLTON. In that regard, would you then feel there was any possible justification in stipulating the attitudes that would be involved if a country were to have aid?

Mr. HOFFMAN. Yes; I do. We really felt in this piece of legislation you wrote for us, particularly in the preamble, where you laid down certain general conditions, that we had all the moral things we needed to step in and point out to the ambassadors that certain things were going on that we felt were definitely antagonistic to our attainment of the goals that had been set for us to attain. That was a broad generalization.

Of course, as you all know, some day—it will be a long time from now—but some day we can perhaps write the next chapter in the history of ECA as to what was done in these countries really to get action. You do not get action by giving out public statements.

Mrs. BOLTON. No; you do not.

Mr. HOFFMAN. You get action by dealing very quietly, and the less you talk publicly, the more results you are able to get.

Mrs. BOLTON. You spoke of the tax situations in certain countries. I brought that up because at one of our hearings I was asked to wait until we were in executive session before discussing the various countries. It is my understanding that you have been only partially successful in that, of course.

Mr. HOFFMAN. That is right.

Mrs. BOLTON. Because there can be no more than persuasive action on our part?

Mr. HOFFMAN. I might say we have been only partially successful in getting a good tax system in America.

Mrs. BOLTON. Yes; but the American taxpayer is being taxed pretty heavily because the other fellows are not doing their bit in some of the other areas.

Mr. HOFFMAN. That is right.

Mrs. BOLTON. Do you think there should be a qualification, possibly, on any of the aid because countries might not be following through with agreements they have made?

Mr. HOFFMAN. I think the more you try to write the directives in detail, the more you make difficult the task of the Administrator. I really think that you have in the original ECA Act, as passed by the Eightieth Congress, one of the most intelligent pieces of legislation ever written.

Mr. CHIPERFIELD. Tell that to Mr. Truman.

Mr. HOFFMAN. That is my own feeling.

I operated under that, and I am glad to testify, as I did on other occasions, that it was an entirely intelligent piece of legislation. We found in the broad clauses all that we had to have. I really think that you only have to recognize that you cannot get these things done overnight.

I do not mind saying this publicly because I think it is all to Mr. DeGasperi's credit—I remember very well the first conversation I had with Mr. DeGasperi about taxes in Italy. I was very unhappy about what I had found in Italy in regard to taxes. He made this statement to me, and it made quite an impression on me. He said, "You know, if our tax laws were applied at the present moment we would take 100 percent of income." He said, "That has been true for a good many hundreds of years now." He said, "We know in this new government we are never going to have a solid democracy in Italy until we have tax morality. But do not forget that for 500 years a man in Italy has had to evade the tax law, and it is going to take some time to bring about an appreciation of the fact that we must have tax morality."

He said also, "Now, I want you to judge us by what we do each year. We know the goal, and we know what we are driving for, and we are going to get there as fast as we can."

Mrs. BOLTON. Mr. Richards is getting a little disturbed about the time, and I do not blame him for it. I just want to ask you again to state whose job it is to handle the political conditions under which aid will be given. You said it was the Ambassador's job?

Mr. HOFFMAN. I think on this whole political arena, if I can make that distinction, that obviously it is the State Department that should control.

Mrs. BOLTON. I have asked this merely to emphasize this point for the record.

Mr. HOFFMAN. So that, in other words, when it comes to any problem that develops in the administration of economic aid of a political nature, that problem should be taken to the Ambassador and it should be said, "Here is the problem and here is where we stand. We have got to have your consideration of this because we do not believe these dollars can be effectively spent unless this condition is corrected."

Mrs. BOLTON. Thank you very much.

Chairman RICHARDS. Suppose you go to the Ambassador to talk this over and he says that for political reasons you should not give this economic aid. Then you say, "Political reasons be hanged. This is a good business proposition and we are going to do that." What is the Ambassador going to say about it?

Mr. HOFFMAN. The Administrator would not say that.

Chairman RICHARDS. We hope he would not.

Mr. HOFFMAN. First of all, if there is any difference of opinion between the Ambassador and the ECA mission chief, that difference is, under the terms of the legislation, referred back to the United States for consideration by the Secretary of State and by the ECA Administrator.

As a matter of fact, there were only two or three cases where we ever had to resolve that.

Chairman RICHARDS. Are there any other questions? Mr. Hoffman has to get away from here. You should be away about a quarter to 1. Is that right?

Mr. HOFFMAN. About 20 minutes to 1, Mr. Chairman.

Chairman RICHARDS. We have 20 minutes yet, then.

Mr. Judd.

Mr. JUDD. I would like to say in support of what has just been said that on our recent trip abroad there was only one Ambassador who even hinted there had been any friction between them, where there were two voices speaking for the United States. As I recall it, one said there had been some interference by the ECA, or at least some confusion as to the Ambassador's being the spokesman for the United States of America.

Mr. Chairman, out of this discussion here this morning it is possible to draw a conclusion that I had not thought of before: That, maybe, in order to get a good nonpartisan policy, we ought always to have a Congress of the opposite political party from that of the President. If the President controls the majority in the Congress, he can push through whatever he sends to it, because his party has the votes.

ECA was a case where the program had to be made good enough to win the support of an opposition Congress, and in order to be good enough to convince the opposition Congress—which is also made up of patriots who want to do what they think is good for the country—it had to be a lot better than either the Democrats or the Republicans alone could have made it. Therefore, we got a nonpartisan policy because the Congress was under the control of the opposition party.

I had not thought of that before, but maybe there is something to it. Maybe both sides could do the same in the domestic field also and get together better if that were the situation.

Chairman RICHARDS. Is the gentleman advocating the general principle that the Congress be of a different political faith from the President, generally speaking?

Mr. JUDD. No. I am merely noting that the best things done since the war in the field of foreign policy were the ones that came out of a Democratic administration and a Republican Congress.

Mr. FULTON. The Eightieth Congress.

Mr. JUDD. I am just making an observation that may be of some value. Perhaps I can use it in a political campaign sometime, although I did not have that in mind.

Mr. HAYS. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. HAYS. In the use of the word "nonpartisan" I hope my dear friend and fellow advocate of bipartisanship is not going to abandon our word "bipartisan," which is preferable, on the legislative side, to "nonpartisan." You are not abandoning bipartisanship, are you?

Mr. JUDD. No, indeed. The right word is "bipartisan" which means that both parties are necessary and must make their respective contributions by working on a problem until they achieve something that both are convinced is right and both will support.

Mr. FULTON. Your statements about a Republican President, I take it, were not partisan?

Mr. JUDD. I did not say anything about a Republican President. Mr. Hoffman, when you were here last year the main concern you had was the Payments Union plan.

Mr. HOFFMAN. That is right, sir.

Mr. JUDD. What is your estimate of its success?

Mr. HOFFMAN. I should be able to answer that question much more explicitly than I can answer it. I think, of course, as it started to operate you had the new problems thrown at it coming about with the necessity for rearmament. But my impression is it has worked very well and has greatly facilitated the movement of goods through Europe. They had a problem with Germany which they quickly corrected by insisting the German Government balance imports. As far as I know, it has worked very well.

Mr. JUDD. The biggest problem in Europe now, it seemed to us, was how to get full mobilization of the production capacities of all the countries for the whole program. May I give an illustration that poses the problem for the committee.

Here is a country for which we are building mine sweepers. Right next to it is a country for which we are making and sending over small arms and ammunition. The country which is getting the mine sweepers from us can make the small arms and ammunition its neighbor needs. The country getting the arms and ammunition can make the mine sweepers. Yet they are not able to get together in a pooling of effort because there is not an exchange mechanism to take care of the finances of it. The country that needs the arms and ammunition does not want to put an order with its neighbor because then it would have to pay for the goods with its own money, whereas if they get it from the United States we pay for it with our money.

That is a problem to which I do not see the answer. I wish you could help us on that—and we have to get an answer because otherwise we will have to continue holding them up.

Mr. HOFFMAN. I do not think there is any easy answer. I think you have to take a specific situation and see what can be done to bring about a balanced trade between the countries that would give you what you want. You will not get it by just a Payments Union, because that is just temporary in effect. That merely operates well when you have approximate balance of trade among the countries. It will not operate for long if there is a continuing unbalance.

The only way to correct a continuing unbalance is to get at the source and try to get trade in some reasonable balance on a multilateral basis and not a bilateral basis.

As I say, that is actually a job that Mr. Herod is supposed to be giving thought to now. I know Mr. Spofford is, because I raised the question with both of them.

Mr. JUDD. If you get any ideas on it, I wish you would share them with us, because they see the problem but not the solution. They said they have been working on it for 5 months, but they have not got an answer to it yet, and they have to get an answer to it.

There is only one thing you have said this morning with which I would disagree. You said a dollar abroad for whatever purpose has the impact of a dollar; it is a dollar of aid. I do not believe that is always quite true. When we put in a dollar's worth of military end items, say, jet airplanes, that require them to spend money to build up so-called infrastructure, barracks, airfields, and so forth. Then our military aid increases the drain upon their economic set-up instead of relieving that drain a little.

Mr. HOFFMAN. I think you are quite right, and I am glad you made that clear, because what I really mean to say is this: When a dollar goes into a country it has economic impact, and unless you have some single agency measuring or attempting to appraise all the impacts of those dollars, you cannot develop a program, or the most sensible program for that country.

I am glad you cleared that up, because it was very loosely stated.

Mr. JUDD. I appreciate the answer.

Chairman RICHARDS. I believe Mr. Chipperfield wants to ask a question.

Mr. CHIPPERFIELD. Would you recommend a grant to aid the Schuman plan?

Mr. HOFFMAN. I do not know.

Mr. CHIPPERFIELD. Would you recommend a loan, or do you not know?

Mr. HOFFMAN. I just do not know. I have not followed that close enough to have any judgment.

Mr. CHIPPERFIELD. Thank you.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. When we build up these countries, the question then comes as to what will be the system under which they operate in international trade. That, then, brings the question up, should we not have some system of general principles under the United Nations that all countries operate under to stop cartels internationally, prevent monopoly, trade restrictions, and import quotas, and all of the old jungle international warfare economically that we have had previously?

Would you then recommend that the United States again try to make some progress toward some sort of an international organization where the countries sit around a table and try to develop good practices of private trade, and to cut down these restrictive practices?

Mr. HOFFMAN. Of course, my position was that the International Trade Organization that was proposed, even though there were many things in the charter I did not like, was at least an international organization, and I would rather sit down and battle these things out around a table than not battle them at all.

I think the day will certainly come when we ought to make another effort to get an International Trade Organization that would be

considering. In the meantime I think there are things that can be done.

Mr. FULTON. What would those things be, specifically?

Mr. HOFFMAN. Not necessarily under governmental auspices at all. For example, there has not been any codification of international commercial law. That is a project that Mr. Ward of the National City Bank is very eager to get on with. He thinks it can be done entirely through private sources, and will be quite a costly job. It is worth considering.

I think also there is hope that more can be done with international private organizations than has been done up to the present time. It is a field that is certainly worth exploring.

Those are areas outside of government.

Much to my surprise there are some 1,900 international organizations in the field. Among those there are quite a number that are potent and important, and perhaps could become much more effective if there were a coordination among the more important ones.

Mr. FULTON. How would you suggest getting that coordination? Could Government help encourage such a movement, or could we help maybe on the educational line by getting people thinking along the lines of the best methods of dealing in international trade?

Mr. HOFFMAN. This happens to be another subject in which we are interested. I do not know that we can do anything about it in the Ford Foundation, but a man named Ordning has been very active in it, and a man named Von Zealand has been very active in developing a clearinghouse for these international organizations.

Now, what can be done, I do not know. There has been some exploration in the field, but in Europe particularly everybody has been so busy trying to get back on his feet that they have not had time to get back to these particular activities, but they are turning to it; and I think in this field of private international organizations there lies a considerable potential that has not yet been realized.

Mr. FULTON. I do not intend for you to bring it up here at this time. If you could, let us hear how we could integrate such efforts of the 1,900 organizations into some sort of program or at least a liaison. If you could do that, we would like to have it later. Thank you for your fine cooperation.

Mr. HOFFMAN. It might be possible at a later date to work out a liaison between Government and these private organizations. I think, of course, liaison has to be done strictly in their private field.

Chairman RICHARDS. Thank you, Mr. Hoffman, for your testimony. I am sure I express the opinion of the whole committee when I say we have profited very much by your coming here.

The committee stands adjourned until 2:30 this afternoon, when we will hear Mr. Rockefeller.

(Whereupon, at 12:40 p. m., the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:42 p. m., the Hon. James P. Richards (chairman) presiding.)

Chairman RICHARDS. Ladies and gentlemen, we will continue hear on the so-called Mutual Security Program bill.

We are privileged to have with us this afternoon the distinguished American, Mr. Nelson Rockefeller. Mr. Rockefeller, do you have a prepared statement?

Mr. ROCKEFELLER. No; I have not, Mr. Chairman. I have some notes.

Chairman RICHARDS. Will you proceed in your own way.

STATEMENT OF HON. NELSON ROCKEFELLER

Mr. ROCKEFELLER. Mr. Chairman and members of the Foreign Affairs Committee, I appreciate very much the honor of coming before you, and also the opportunity because this bill which is up for discussion and consideration contains important elements relating to international economic affairs, particularly relations with the so-called underdeveloped areas. This is the field I had the opportunity of working in for a good many years, particularly during the war.

Chairman RICHARDS. May I say there that the Rockefeller Foundation itself is engaged in that field now, and you have experiments at a good many places. Where are those places?

Mr. ROCKEFELLER. I would like to say I am not a trustee of the Rockefeller Foundation, nor have I any connection with the foundation. So, I am not intimately familiar with their program.

But they have been working abroad in the field of public health for the last 40 years, and now in the field of agriculture. They developed experience that was very useful to us in the Coordinator's office during the war.

Chairman RICHARDS. I thought you were a member of that Board?

Mr. ROCKEFELLER. No; I am not, sir. I have a brother who is.

Mr. HERTER. Would not Mr. Rockefeller tell us a little about himself? He as a private individual, with his brothers, has carried on very important experiments.

Chairman RICHARDS. Will you give us that background in that field?

Mr. ROCKEFELLER. Before the war I was associated with private companies that operated abroad and had worked in the Chase National Bank in some of their foreign branches.

During the war I was Coordinator of Inter-American Affairs, which worked in Latin America in the field of economic and social cooperation and carried on the information program in that area for the United States Government. That was for 4 years.

The office was an independent agency, reporting to the President, but working closely with the State Department, which naturally has a direct bearing on the problems before the committee now.

Then I was a year in the State Department as Assistant Secretary for Latin-American Affairs, working with the operating agencies outside the State Department.

Thus I had the opportunity of seeing these relationships from the departmental point of view.

Since the war, as Congressman Herter says, my brothers, and I have been doing some experimental work in private development of the production, procuring, and distribution facilities of underdeveloped countries both on a business basis, and also working through two philanthropic organizations we set up in some of the basic service areas.

These provide agricultural and nutrition services in collaboration with two foreign Governments—Brazil and Venezuela. Last fall the President asked me if I would take the chairmanship of the Advisory Board on International Development, which was set up by the Congress in connection with the Act for International Development.

The President also asked if the Board would prepare a report on international development, which we did. There were 13 members of the Board and the report reflects the unanimous conclusion of all, after study with a very competent staff. It has been published under the title, "Partners in Progress." It was made public by the President, and later published by Simon and Schuster as a book.

That briefly, is the background, Mr. Chairman.

I would like to speak first, if I may, on certain specific phases of the Mutual Security Program bill, primarily economic cooperation in the underdeveloped areas, and the economic interdependence between Europe, the United States, and the underdeveloped areas.

Then I would like to speak to the question of money—how much, and the question of organization—how to get the maximum efficiency from the program which is before you.

I think perhaps one of the questions which must be in the minds of everybody here—and I know it is in the minds of a great many people in the country—is, Why should we be worried about the problems of international development at a time when we are so concerned with our own national security. When we have to spend so much money on our own security problems, how can we afford to be concerned about international development?

It seems to me that the answer to these questions is really the crux of the problem before us. In order to find the answer, I think one has to examine the question of what is the basis of our national security. Then find the relationship of our national security to international development.

To do that, I have broken down the question of our national security into its two component parts: First, economic and social security—the standard of living, the well-being of our own people—their opportunity for the future; and second, military security of our country—the defense of our freedom.

I should like to speak on the economic and social aspect first, stressing some facts which may throw some light on the problem before us.

As a nation we have 6 percent of the population of the world and 7 percent of the land area of the world. Just before the last war we produced about 33½ percent, a third of the world's manufactured goods, and we produced about 33½ percent of the raw materials of the world. The two had been in balance. I have an interesting statistical chart showing that growth of production, industrial goods, and raw materials from 1899 to 1940.

It shows a comparable increase in production of both raw materials and manufacturing capacity from 1899 to 1940. Then the next chart shows a very interesting fact which took place after the war, that is, that the growth of our manufacturing capacity moved ahead of our raw material production. So that today in 1951, we have 50 percent of the world's total manufacturing capacity, while our raw material production has barely kept pace, and is still about a third of the world's total production of raw materials.

Thus there is a gap between our manufacturing and our raw material production. Now we are dependent on foreign countries for those raw materials to supply more than one-third of the raw material requirements for our factories.

Mr. EATON. You consider that a permanent condition?

Mr. ROCKEFELLER. I consider it is going to get worse rather than better—that our dependency is going to become greater as time goes on. We will be lucky if we can hold the present rate of raw-material production in the United States.

At the same time the present plans of our Government call for an increase of more than 20 percent in our manufacturing capacity by 1953. Through this expansion we will be able to produce all of the consumer goods, soft and hard goods, which we are consuming at a peak rate, and in addition, produce the guns, tanks, and planes which we and our allies need.

That 20 percent planned increase amounts to more than Great Britain's total current productive capacity for military and civilian goods—a capacity built up over her history as a nation.

So, in 2 years we are increasing our production by an amount greater than England has been able to build up throughout the history of her development. That gives you a little feel of the weight of our economy in the world scene today.

Mr. VORYS. Will you say that over again?

Mr. ROCKEFELLER. This 20-percent increase in our manufacturing capacity, which is at the present time under way, will be completed by 1953, and that 20 percent is greater than Great Britain's entire production capacity for military and civilian goods developed throughout her history.

Mr. VORYS. Including her present production?

Mr. ROCKEFELLER. Yes. It was the subject of a very interesting speech made before the House of Commons by Mr. Bevan, the Minister of Labor, at the time he resigned.

He said that the United States was increasing its production by 20 percent and asked, Where are we going to get the raw materials? If the United States cannot produce them herself, he asked, is she going in the world market to buy them? He pointed out that we have already bid up the price of raw materials, making it hard for Great Britain to compete on price. He asked whether we, the United States, were going to take Great Britain's sources of raw materials and, if so, where would Great Britain be?

Mr. JUDD. Has not General Marshall said that the total defense effort for our domestic military program and our foreign-aid program will amount to about 20 percent of our total production?

Mr. ROCKEFELLER. I would think that was fair.

Mr. JUDD. So we are increasing our production by roughly the amount that we are putting into the expanded defense effort?

Mr. ROCKEFELLER. Yes. It represents about \$60,000,000,000 a year of production.

I would like to show you the next chart, which shows the total world production of raw materials and manufactured goods.

You will see that from that same period back in the late 1800's through to the war period, world manufacturing capacity and world raw materials stayed in step.

The next chart will show you that after the war the same split that we have seen in the United States is taking place on a world basis. Manufacturing capacity, including our own, is moving ahead of world raw material production.

The gap now is made up by stockpile use of raw materials and scrap.

That is a temporary thing which we cannot count on permanently. Therefore, we are faced with a very serious problem of getting enough raw materials to supply our expanding production in this country—production which is the basis of our economic strength. The question is from where do we get the raw materials we import. The answer is that 73 percent of our needs for strategic and critical materials come from the underdeveloped areas. Thus we find that our domestic economic strength today depends to an important degree on the underdeveloped areas.

There are a lot of people in this country who do not realize this. Take manganese, for instance, for which we are largely dependent on the underdeveloped areas. There are 13 pounds of manganese in every ton of steel. If we use all we can get in scrap in this country, we could produce half a pound of manganese per ton of steel. Thus we see that the basis of the great strength of our industrial economy, which is steel, is dependent on foreign sources.

There is another important point also in our relations with the underdeveloped areas.

If at some time in the next 5 or 10 years we have a peacetime economy, and our military production goes down, in my mind there is a very real question of what we will do with this additional 20 percent plant capacity.

We cannot just close the doors of those factories and let the labor go unemployed. We have to preserve that production in order to preserve the standard of living of this country, and preserve the security of our people.

We may find ourselves sometimes in the not too distant future—I hope we will—with \$60,000,000,000 of productive capacity built for armament which is no longer needed. Then we may be looking for markets abroad because I do not think our economy can absorb that \$60,000,000,000 of civilian goods overnight.

Europe is not going to take \$60,000,000,000 of manufactured goods from the United States. Europe is also increasing her productive capacity. Therefore, the one area of the free world we can look to is the underdeveloped areas of the world for markets.

If they are increasing their production of raw materials their income will go up, their buying capacity will go up, and our trade with them will go up.

I think we have to look to those areas for our future markets on an even greater basis than in the past. I can give you a very concrete bit of evidence of the possibilities. I remember in 1939 our trade with Latin America was running at the rate of somewhat over \$500,000,000 a year. Now it is just under \$3,000,000,000 a year. In a short period of 10 or 11 years the 150,000,000 people of the Western Hemisphere have moved forward with a dynamic thrust that gives an evidence of the possibilities in other parts of the underdeveloped areas of the world.

Our dependence on them is very real. But this dependence for raw materials and markets on other countries and other people is not something that we can take for granted. We cannot take for granted that we will be able to obtain raw materials we need from other countries, nor that they will buy our manufactured goods. It will depend on mutual cooperation.

Today, cooperation with other peoples in other countries depends on the will of the governments and on the will of the people. I think Iran is a good illustration of the serious condition that one of the industrial powers can find themselves in, in this case Great Britain, when overnight there is a threat to her major source of oil being cut off.

The significance of our dependency is highlighted by the situation there.

So much for our economic dependency as a Nation on the underdeveloped areas of the world. Let us take a look for a minute at the military aspect of our national security.

I remember in 1944 General Embick, whom probably many of you knew, who was Chief of War Plans and Chairman of the Inter-American Defense Board, made a talk to the members of the Board.

He predicted that after the war there would only be two areas of the world that could make war, one the Soviet Union and the other the Western Hemisphere.

He said that in the future, war could only be waged with raw materials, industrial capacity, manpower and land mass, and those two areas were the only ones that would have those things. He said that the balance of power between these two areas would be China. China is at the present time lost to the free world. Therefore, we find ourselves not only dependent on the raw materials and manpower and land mass of the Western Hemisphere, but without China the other Asian countries have become doubly important from a strategic point of view.

So we find ourselves dependent on these areas for our military production and military strength and security. We find ourselves dependent on these areas for material goods, but also for political support. With the Security Council not functioning effectively as a security agent for the world, because of the use of the veto, the General Assembly has become the only body which can take effective action, and the majority of the votes in the General Assembly is in the hands of the underdeveloped areas.

Therefore, we find from a military, economic, and political point of view that these areas are increasingly important to us as a nation, in terms of our own security, or our capacity to preserve our security.

We face the blunt fact that the United States today no longer finds the base of its own security within its own borders. That is a pretty startling fact in view of our history of complete, as we thought, independence.

With this dependence on other peoples and other governments for the preservation of our national security, the question arises, How can we get their cooperation? What is the basis for getting their cooperation to preserve our own security?

I think the answer is really quite a simple one. This cooperation, must reflect their own military security, from the point of view of freedom, and also their economic security from the point of view of human well-being, as much as it affects yours and mine.

If they feel there is genuine mutuality of interest in cooperation, and they are able to find in it the things which they need for their security they will be anxious to help us in the things we need for ours.

Briefly, I would like to examine some of the basic problems which these areas face in order to determine the nature and form of our cooperation needed to help them meet their security.

Let us look at Europe's problems briefly. I hesitate to speak on that subject following Mr. Paul Hoffman who was here this morning. But, as I see the picture, Europe is faced with the threat of lowered standards of living if she curtails civilian productive capacity to produce armaments. That is a situation that could have serious repercussions as you know better than I.

If they reduce their exports to provide manufacturing capacity for armaments, they cut off the essential supplies to the underdeveloped areas. About 44 percent of the supplies of the underdeveloped areas are for machinery and equipment, spare parts, all of the things which the industrial world makes and the underdeveloped world needs. They are the items which make for the economic strength and the social stability of those countries and they have not the capacity to produce them themselves.

So there would be a very serious problem if Europe cuts off her exports of those items. We cannot provide these supplies because our economy is already strained. Thus, there is a real danger that there could be economic and social chaos in many of the countries of the underdeveloped world if they lost their European sources of essential supplies.

Looking at it from another point of view, if Europe cut off her exports where would she get her foreign exchange? Foreign exchange which she needs to pay for the raw materials and foodstuffs she must import to exist. Europe finds herself right up against it, and her only answer is an expanding world economy with more raw materials coming in and more exports going out, while at the same time she expands her plant capacity and production of military goods.

Let us now look at the underdeveloped areas. You all know the general conditions there. There are 1,057,000,000 people in the underdeveloped areas of the free world, in Africa, the Near East, Asia, southeast Asia, and the Latin-American countries.

Their standard of living is reflected in their total national income, which is \$80,000,000,000 for the 1,057,000,000 people, or about \$80 per person per year. That ranges from around \$30 in southeast Asia up to \$150, Latin America as compared to Europe's \$450 and the United States \$1,475 per person.

You know the deplorable health conditions. You know the degree of illiteracy. It averages approximately 70 percent. People who are on the verge of starvation, who are riddled with sickness and handicapped by ignorance, are not people who can produce and are not people who can participate effectively in the development of democratic institutions within their own countries.

Thus the very things we look to them for, both from an economic point of view and a political point of view, are almost an impossibility under present conditions.

Therefore, any mutually advantageous cooperation with those people, will only reflect their security needs if it gives them some chance to better their own living conditions.

Not long ago I was at the home of Sir Benegal Rau, the Indian delegate to the United Nations. His sister-in-law who is very interested in rural problems showed some movies.

One scene showed two Indians sitting on the bare ground. One of them was pulling a rope, revolving a wheel which turned the lathe, and the other was working with a chisel on a copper bowl fastened to the lathe. They represented the rural copper industry.

Sir Benegal Rau's sister-in-law said at the end of the movie that India had lost her copper exports to the United States. I asked how that happened.

She said that the two men that I had seen in the movie used to earn 2 cents an hour, but now due to social improvements in the country they were getting between 40 and 60 cents per day, and their product had been priced out of the United States market. Gentlemen that story gives you a perfect illustration of the problem with which the worker without machinery is faced in trying to produce and sell when he's up against the skilled worker with machinery.

In another country we were making an economic survey of this particular problem. They were particularly concerned as to how to increase their dollar exchange in order to purchase more machinery and equipment needed in the development of their country. The question was what items they could export for the creation of more dollar exchange.

Rice and wheat seemed to be the two most promising. In that country it took 20 men to produce what one farmer in the United States could produce. But these 20 men earning 21 cents a day, as compared to, say, \$4.80 or higher for the American farmer, produced wheat that cost twice as much in the world market as the American farmer's wheat.

There was a real problem of how they could achieve an export position in wheat. The only solution they could see was to cut the wages from 21 cents to 10½ cents, which, of course, was out of the question.

I cite these two examples because I think we have reached the point where high-priced American labor no longer needs to fear the competition of cheap labor. Rather cheap labor has industrial labor to fear. The worker with \$10,000 or \$12,000 worth of machinery and power at his disposal can produce much more than labor with low wages and low standard of living.

As the disparity between the standard of living of our economy and those of other parts of the world increases, their chances of developing their own countries and increasing their production are becoming less and less.

Some people have advanced an interesting analysis, however, which I am not in a position to confirm. But it has been pointed out that Lenin's original theory was to win over labor in the industrial areas of the world in order to bring about world conquest. But in view of the fact that this tactic has not been as successful as it was hoped, the strategy now may be to cut off the source of raw materials for the industrial world from the underdeveloped areas. In this way it would be possible to cripple the economic strength of the industrial world and make it vulnerable to aggression from without or submersion from within.

However we reach this position: If this mutually beneficial cooperation is basic to our obtaining the things we need for our own security,

the question is now, How do we bring it about? What base can we work on?

We have to work together, permanently, as nations and peoples, not just in the emergency. I frankly have been somewhat concerned with the undue emphasis upon emergency in this present bill.

I think we have to be frank with the people of our own country, that our relations with these other countries is not just a matter of the emergency, that it is a permanent thing.

We are dependent on them; they are dependent on us; neither can solve his problems alone. We have to work out mechanisms and relationships which will permit us to work together over a continuing period, and give a sense of stability and confidence to all.

That is why our Board recommended the centralization of all economic activities in a new agency which would bring them together where economic policy could be formulated within the framework of the State Department's over-all policy, and where operations could be effectively and efficiently carried out.

We felt to put the operation temporarily in ECA indicated an emergency duration, that it would perhaps be misleading. The fact is that we can no longer set up emergency agencies and hope within 2 or 3 years the problem will be gone and we can return to our old days of withdrawing within ourselves.

That is why we suggest a permanent new agency. It is not just a problem of government alone. It is not just a problem of giving a few dollars for technical assistance. The flow of capital and management must be encouraged and stimulated. This is not a problem of government alone, but of all public and private groups and organizations.

Business and production in this country is largely private, whether represented by the single man on his farm or the big corporation. All those productive forces must be integrated into the world scene if we are to do a job on a long-term basis if production is to be increased.

No palliatives or program of long-term charity is going to solve the problem. We have given up trying to solve our problem on a charity basis or a dole at home. The thing is to help people to help themselves to become productive free citizens so that they can carry their own weight and be self-respecting citizens in a strong free world. We must strike at the roots of the problem.

I now come to the question of organization, the question of money and methods. In this bill I think the problem is well and clearly presented. I think the objectives are clear and sound as far as the emergency is concerned, but perhaps limited as to the long term. I believe too much attention is given to the short term and not enough to how this thing is going to move out on to a long-term basis.

As far as the organization problem is concerned, our Board came to the unanimous conclusion there must be a single independent agency which can deal with these economic problems, that it must report directly to the President and take its policy guidance from the Secretary of State, we found that today 23 United States agencies and 32 international agencies are working in this field. Certainly this is not conducive to clear policy formulation or effective coordination of action.

Under these circumstances the money that is spent cannot bring corresponding results.

As far as methods are concerned, I think the ECA, not only in Europe but also in the underdeveloped areas in which it is working, has done a magnificent job. However, I believe there has been too little emphasis on private enterprise and the part that private enterprise can play. Nor has there been sufficient stimulation to encourage a larger participation.

I think there is too much attention paid to so-called technical assistance and too little attention paid to the problem of financing. I think the flow of capital is of major importance, whether it is loan money or investment money.

I would like to discuss that later, if you would care to have me.

There is too much reliance on technical assistance as a short cut to success. This country did not grow on technical assistance alone; it grew on the flow of capital from European savings, and United States management which had the ability to use the capital and technicians.

To have one without the other is like trying to sit on a three-legged stool which has only one leg.

I think there is too much emphasis on aid and the giving of money without enough emphasis on the active cooperation in an integrated, effective, mutual effort by the individual nations, both through governmental and private channels, as well as through the United Nations.

Now as far as the amount of money for aid is concerned, I have no basis for judgment. However, there is no question about the importance of the armament program in this present world scene. There must be the strength to resist aggression, whether from within or without in these countries.

As far as the European economic program is concerned, there again I think its importance is well documented, and I am in complete accord with the objectives. Again, however, as far as the amount of money necessary for these programs goes, I have not the background for a judgment.

When it comes to the underdeveloped areas, I can say without hesitation that I think the figure of 512 million dollars which is recommended is sound providing it is well handled from an administrative point of view. The money is largely for expenditures of an emergency character and for technical assistance for economic development.

The Gordon Gray report laid the foundation for the present effective approach. I think that he in his report made a major contribution. It was extremely well presented.

Our Board, on which was represented labor and agriculture, business, voluntary agencies, and academic groups, studied the whole problem, and we came to unanimous conclusions on all major points. As far as the size of Government expenditures, we took the figures which the Gray report had given of 500 million and adopted that.

To be perfectly frank, the problems are so tremendous that it is very hard to say what should be spent.

It is a question of getting started on the basis of a joint effort and of creating a sense of direction, of common purpose with the peoples of other areas, a sense of common objectives which will give them hope and faith in the future. How the money is spent may be more important than the amount of money.

The most important thing, I think is to get an effective organization which can deal with these economic and social problems, see them in their over-all interrelations, see them in relation to the political,

military, and psychological factors, integrate them, and then gradually develop programs which will be effective.

They must have money for emergency purposes in many parts of the world. So far as the development programs are concerned, we have had experience in some parts of the world, like Latin America, where we know money has been spent effectively and sensibly. It has been proven.

I would say that the funds called for here for the underdeveloped areas are not out of line, that experience will tell us as we go along what we can do and do intelligently. In my opinion, these moneys should be appropriated, and a single independent organization be set up to use them effectively. This latter is of paramount importance, that can intelligently deal with them.

Perhaps, Mr. Chairman, you would like to have me stop at this point for questions, or I can go into more detail on the recommendation of the organization itself.

Chairman RICHARDS. I know that all the members of the committee are extremely interested in this point. If you could cut it as short as you can. I think we want to get your fundamental ideas on that matter.

Mr. ROCKEFELLER. I will then give you briefly the opinions of the members of the Advisory Board for International Development set forth in our report "Partners In Progress," with which I concur 100 percent.

The first was the essentiality of a single agency. There are new problems to deal with and, therefore, the orientation should not be simply what it has been in the past. There must be a looking forward to a permanent relationship with the other free countries on a sound basis. The administration should be outside the State Department but subject to State Department policy, given on behalf of the President. It should have responsibility for economic policy formulation in the field of international economic cooperation and development.

These are the factors which I think are important: First is the integration of the economic problems between the different areas of the world. We have dealt in the past too much with Europe as one separate area. Latin America as another one, Asia as another when, as a matter of fact, they are all interdependent.

Raw materials from China and Korea which Japan has lost, leave Japan today completely dependent on the Western Powers for raw materials. What Japan will do in the way of trade and economic development in her relation with southeast Asia is going to influence what we and European countries will have to do.

These economic factors are all interrelated, and they must be seen from an over-all point of view as far as geography is concerned.

Second, it is important that the problems of the individual regions be given consistent attention and that they not be neglected as has been too often the case in the past because of crisis in other areas. In order to equalize treatment we recommended that the work be carried out on a regional basis in which divisions will have direct responsibility for certain areas and stay with those areas despite the crises in other parts of the world.

I think that would give us greater continuity in our dealings with such areas as Latin America and Africa.

Next, it seemed to our Board very important there be real coordination between the economic and the political, military, and psychological phases of our foreign policy. We felt that the economic work could more effectively support those and that they in turn could support the economic. We can have far more effective foreign relations if they are coordinated and support each other. If this is to be achieved the foreign economic operations must be centralized and not spread around in 23 different departments and agencies as at present.

Another important factor we felt was the integration and coordination among the following fields of foreign economic activity because they are all interrelated: The production of raw materials and food, allocation of essential supplies and scarce materials, development of productive and manufacturing facilities, building of public works, long- and short-term financing, and basic services such as health and sanitation.

For instance, you could not get rubber out of the Amazon during the last war because of disease, sickness, and lack of food.

Until you could lick those you could not get the rubber. You find there is an interrelationship between all of these factors, particularly in the underdeveloped areas of the world. They cannot be separated from the industrial world because without the flow of machinery and equipment and without markets for their raw materials you cannot get the development. There needs to be a central agency to deal with all these complicated relationships and integrate them. An overseas economic agency that can give effective leadership.

Another point we felt of extreme importance was the participation of private enterprise. The proposed agency could give real leadership in encouraging and facilitating its participation. We recommend that a deputy or an assistant director of the independent agency be appointed to work with private enterprise.

United States trade with the underdeveloped areas has been running at the rate of about \$10 billion a year, and is pushing up to \$12 billion. That is two-way trade. In contrast let's look at the point 4 program. Last year \$35 million was appropriated for it. Thirty-five million, if intelligently spent, can be very useful. But when you put \$35 million against a background of 12 billion of trade, the preservation of that \$12 billion in trade is more important than the assistance, important as that is. Thus it is essential that the overseas economic agency encourage private trade and have authority to deal with the problems of export controls, essential requirements and procurement and development of strategic and critical materials.

Most important is the question of the flow of private capital. Private capital has been going out at the rate of about \$700 million a year to underdeveloped areas since the war. That is a very small percentage of our national income. If private capital were flowing from this country at the rate of only 1 percent of our national income, it would amount to around \$2.5 billion. That amount intelligently invested in productive facilities could revolutionize the economic base of those countries.

I have mentioned the great productivity of the American worker based on the \$12,000 worth of equipment and machinery that he has at his disposal in this country. Without machinery and equipment, mere technology alone means little to the worker in underdeveloped areas.

But the savings of the people in the underdeveloped areas average only \$5 a year. At \$5 a year per worker it would take them 2,000 years to save enough money to buy the \$10,000 to \$12,000 worth of machinery necessary to put them in the same position from the point of view of productivity as the American worker.

Thus it is clear to see that the encouragement of the flow of capital from the industrial areas to the underdeveloped areas is one of the major problems with which we are faced today, whether it is money on loan or direct investment combined with local capital.

This central agency must take active leadership in solving this problem.

We recommended a special assistant, deputy or director for cooperation with the international and regional economic bodies.

As it studies and sees these problems, the new agency should be in a position to recommend legislation and international agreements which will facilitate their solution.

We recommended specifically legislation to encourage the outflow of private capital, including tax incentives.

We also recommended the use of joint commissions with other countries to develop national and regional development programs. There was a joint commission during the war, with Mexico, on which I had the privilege of serving as the United States representative.

The results of its work are interesting. Under its direction the engineering, the financing and the management was worked out for 22 power, irrigation, and industrial projects in Mexico. Contracts were let for the purchase of necessary machinery and equipment in the United States. The minute the war was over those contracts went into effect.

Those industries are now a vigorous and effective part of Mexico's economy. Because of that joint planning instead of dissipating the foreign exchange which she had built up through the sale of raw materials, Mexico was able to build for the future, and not, as a friend of mine said about another country, "In the immediate postwar, spending all of their wartime dollars for yoyos and plastic suspenders."

Such joint commissions can be very effective. The recently set up United States-Brazilian Commission suffered a great loss the other day when its director, Frank Truslow, died aboard ship on his way to Rio. He was admired and respected in Brazil and had, at personal sacrifice, left his job as head of the Curb Exchange to go down to Brazil.

In such a cooperative approach we can work along with them and help them to work out their programs and the financing of their development to the mutual interest of all.

This can include the development of over-all and specific economic plans, the coordination of operations, and the economic support of the military. I mention the military here because many of these countries are being given military equipment but the impact of the added financial burden on their national resources is not always figured out in advance.

Without some pretty careful planning they may run into serious economic and social problems as a result.

As I said before, I feel very sincerely that not only for the underdeveloped areas but also for Europe and Japan such cooperation, leading to an expanding world economy, in which all of us benefit, can do more than any of us realize.

It can revive the sense of hope and faith where it has lagged, and can create it where it never existed. I think for our own people it will give a sense of purpose the lack of which I think is felt particularly by the young people of this country.

I do not think we can overlook the importance of the impact of such a program on the peoples behind the iron curtain. If they see the free people really moving forward together toward a common goal they will tear the iron curtain to pieces as they come out from behind it to join the free world.

On the other hand if we do not take the leadership in providing a basis for free peoples to work together in this common interest, there are others in the world who are ready to do so.

In closing may I say, Mr. Chairman, I think that the organization for international development when created, has to give primary consideration to this question of the out-flow of capital.

If we do not see that there is an out-flow of capital for productive use, the problems which will result from the lack of necessary production will have to be dealt with later on an emergency basis through a huge give-away program. This will cost us a great deal more in taxpayers' money than if we had helped the people get on their own feet so that they could deal with their own economic and social problems.

The Advisory Board made a series of recommendations to stimulate the out-flow of capital including tax incentives, the underwriting by the Export-Import Bank of the availability of exchange on foreign bonds sold in this country, and an International Finance Corporation, all of which I will touch on later, if called upon.

I do appreciate the opportunity to present my views.

Chairman RICHARDS. Thank you, Mr. Rockefeller. You have really given us something to think about here this afternoon.

I am going to start at the lower end of the table. Mrs. Kelly.

Mr. HERTER. In about 7 minutes they are going to vote.

Chairman RICHARDS. We will take a 15-minute recess.

(Whereupon, a 15-minute recess was taken.)

Chairman RICHARDS. The committee will come to order, please.

We will proceed with questioning of Mr. Rockefeller under the 5-minute rule. I am going to start down at the other end of the table.

Mr. Hays, have you any questions you would like to ask?

Mr. HAYS. I do, Mr. Chairman.

Mr. Rockefeller, I would like to say first that I do not know when I have been as greatly impressed by a presentation. We are all deeply grateful to you, sir, for a very excellent story of what has taken place.

Now, I believe that you rest your case primarily upon the need for stabilizing world conditions. Is that a fair generalization? That is, rather than any primary economic returns for us. If we were to put them in order, you would say primarily the stabilizing of world conditions and, secondarily, serving our national economic interests.

In other words, the two converge in support of America's interests. It is not a matter of other nations against our own.

Mr. ROCKEFELLER. That is right.

Mr. HAYS. As a matter of fact, then, the need for such a program would still exist if we were to find ways of producing raw materials from low-grade supplies which we have. I am thinking of such items as manganese and bauxite, which at one time were probably in abun-

dant supply here and were mined economically here, and are now in short supply and mined expensively. In other words, the supply or the source of some items has moved to foreign countries.

If we were to develop cheaper ways of restoring or supplying those commodities at home, there would still be the need for this program? I am not discounting the tremendous force of your argument on raw materials, but I was just trying to think in terms of the priority of these arguments.

Now, you referred to the experience in Mexico, and there I believe you said the health program was given considerable emphasis, or did you?

Mr. ROCKEFELLER. I did not mention that in Mexico. I mentioned the Amazon Valley, sir.

Mr. HAYS. Yes. It was in South America. Is Mr. Hudgens with a private organization?

Mr. ROCKEFELLER. Yes. He is director of one of the nonprofit or philanthropic organizations we set up.

Chairman RICHARDS. And he is a good man.

Mr. ROCKEFELLER. Hear, hear.

Chairman RICHARDS. I know that.

Mr. HAYS. He is from South Carolina. The record should show that.

Chairman RICHARDS. He was my old captain in the First World War, and I have known him ever since. He is a wonderful man and has great ability. I can vouch for that. Although, he has had a few knocks around this Congress himself when he was down here.

Mr. HAYS. As a matter of fact, the experience Mr. Hudgens had with the Farm Security Administration—which was an American form of Point 4—

Mr. ROCKEFELLER. Exactly.

Mr. HAYS. That is, for our own underdeveloped areas—gave him fine equipment for this service.

Mr. ROCKEFELLER. Exactly.

Mr. HAYS. That is one of the reasons why I mentioned it, Mr. Chairman.

Mr. ROCKEFELLER. I appreciate it.

Mr. HAYS. When I was in Mexico a year and a half ago I went out to meet Mr. Harrar at the Rockefeller Foundation Headquarters. He told me of that splendid nongovernmental program. That sort of thing, on not too grand a scale, but on a large scale, is what we are projecting in this program?

For example, I think he gave me these figures. For the first time in 35 years, as a result of this program, Mexico was able to meet domestic needs. The country imported no corn in 1949.

Mr. ROCKEFELLER. That is right.

Mr. HAYS. That has tremendous significance in terms of nutrition for the population and, in turn, tremendous productiveness for the people.

Now, concerning the point you made about the world needing some form of structural relationship, Mr. Rockefeller, I would like to take that up. It fits in with what Mr. Hoffman said this morning about our place of leadership in the world. The world is going to be organized, and if we fail in leadership qualities, as I understand it, your point is that others not so democratically minded and not so devoted

to the things in our civilization that we cherish, will organize neglected areas.

Mr. ROCKEFELLER. That is right.

Mr. HAYS. There will have to be a structural relationship. So that you feel we are serving in this program the twofold ends of great cultural and spiritual goals and an economic program that serves our own ends and our own economic system, and is justified by that.

We are greatly in your debt, sir, for developing those two points.

Mr. ROCKEFELLER. I appreciate that, sir.

Congressman HAYS, might I make one comment on that?

Mr. HAYS. Yes.

Mr. ROCKEFELLER. Where you mentioned at the beginning the stabilizing of world conditions I would like to add to that the creation of a dynamic forward motion. It seems to me that is a very important part of it. Our own economic life and our own political life have evolved in an expanding economy. We were very fortunate in being able to expand domestically. We reached new frontiers with increased markets and increased production. An expanding economy fosters free institutions, and a contracting economy is very hard on free institutions, as we can see today from the problems Great Britain is facing domestically.

So I think one of the important things is the development of an expanding world economy within which all nations can move forward. No longer can we expand within our own borders alone. We have to participate in an expanding world economy to get the benefits we enjoyed in the past from an expanding domestic economy.

Mr. HAYS. Thank you.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. Mr. Chairman, I do not know whether I have a question. I have an observation that might lead up to one, though.

Am I right in the thought that over the years American initiative has taken the leadership, maybe not on a world-wide organized basis, in the development of the other countries, which has been done largely through private initiative and private enterprise, and which resulted in our nationals having tremendous investments in almost every country, and which had a tremendous importance in furnishing technical assistance and encouragement to the development of that industry, and in providing wider opportunities not only for the countries themselves, but for the individuals?

Now, as a result of, or, rather, following the turbulent conditions arising out of World War II, that has become very much stabilized. The risks have become great. There has not been as much of that going on. The Government has stepped in and it has furnished in one form of assistance or another some \$30,000,000,000 for foreign aid or foreign assistance.

Without discussing the merits of that aid, it has to a very considerable extent gone for services and consumer goods. Possibly to a certain extent of necessity. But, after the expenditure of these really tremendous sums—because, after all, when you begin to get into the the business it is a lot of money and it does not make any difference what nation is furnishing it—but one thing that disturbs me somewhat after all this has been done is the thought as to whether we have set up as a result of our expenditures and our efforts not so much organizations in the different countries, but whether we have set in motion

economic forces that constitute a permanent effort which improves the standard of living of those various peoples; or, whether we spent this money to its best advantage except for the temporary assistance that is given?

I have been somewhat disappointed, and that gets back to the statement that you embodied in your general discussion, as to whether we, in connection with this Government effort, had brought in sufficient cooperation from private industry and used our efforts and our guidance and our expenditures to help and encourage setting up of industrial and manufacturing activity in this country which provides increased opportunity for the people and has a tendency to increase their standard of living. I do not know to what extent the question was raised in connection with Mr. Hoffman's testimony this morning by Mr. Hays about the fact that the standard of living of the individual has been very greatly improved.

I just wondered to what extent we had furthered the systems that tend to improve the standard of living of the individual and provide opportunities to him. That is more or less of a general observation, but it is one thing about all of this that gives me some cause for concern in my own mind with regard to justifying the expenditures.

Mr. ROCKEFELLER. I see the point you make there, and frankly I agree with it.

I might put it this way: On the private investment side historically American capital has gone abroad for two purposes: One, to get raw materials we needed; the other was to sell manufactured goods we had in surplus. Those are the two motivating forces, to oversimplify it a little.

As markets abroad were established, tariffs were raised, United States manufacturers started first assembling abroad, and finally manufacturing. Opportunities for capital were so great at home that United States capital only went abroad for these specific purposes.

However, in contrast, European capital went abroad to find an outlet because opportunities abroad more often than not offered greater returns. It went into a much broader range of investment that benefited the internal economies of other nations. Our capital has done a great deal to help develop the economies of other countries. However, that has been largely incidental to its primary purpose of getting raw materials or selling United States goods.

I think private capital in this country must be encouraged to go abroad to cooperate directly in the development of economies of other countries.

Now, as far as Government aid is concerned, I think the history of its origin and development explains part of your concern. It really was initiated during the war. We started out with emergency relief—UNRRA—right after the war. This was followed by a series of loans. However, as communism spread in Europe, it became clear that relief alone could not do the job. Thus the Marshall Plan was initiated and the ECA established. The basic objective here was rehabilitation to build back production and standards of living. Only in the last year or so has the concept of development as such entered the picture as far as the Government is concerned.

I would like to make one other point, and that is this: There are three major areas of international economic relations. I think to bring those out clearly helps one to understand the problem.

First is production and distribution of goods, whether by a small farmer or a big manufacturer. That is a private enterprise function in the free world. That is not an area in which government can be directly active.

Second is the area of basic services, such as public health, sanitation, agricultural extension education, and so forth. Those are largely Government services, and that area is largely a Government area, although private philanthropic organizations have pioneered international cooperation in this field.

Then there is a third area, which is public works—roads, highways, railroads, ports, power, irrigation. That is an area where private enterprise and Government have been both active.

If, when we are talking of international development, we keep a sharper focus on which of those areas we are talking about, then it becomes a lot easier to determine whose function it is.

Really, this whole field is not a field that Government alone or private enterprise alone can do. It really calls for cooperation between the two.

There is a place for both. Particularly there is need for the encouragement of private capital. There is also the need for the development of new financial vehicles.

Chairman RICHARDS. The gentleman's time has expired.

Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman. I do want to express my appreciation to Mr. Rockefeller for being here today, and I do want to say I read his report when it first came out with a great deal of interest.

I wonder, Mr. Rockefeller, to what degree, if any, the United States could restore some of our own raw material deposits in this country, for instance, copper? I know I have been present at hearings where there was a great deal of discussion on the part of some of our mining interests that some of our copper mines were filled with water.

Do you believe an expenditure at that end should be appropriated by Congress, or do you think that those mines have given all they could?

Mr. ROCKEFELLER. Well, I am not really in a position to speak authoritatively on that question, but if I understand the subject that you are raising, we have certain marginal properties in this country which are higher cost operations than those abroad.

The question is, from a national economic and security point of view, is it worth giving a subsidy or paying a higher price for domestic production than for production from foreign operations? That is a question on which I frankly am not in a position to speak. I think it is a question of national policy.

Mrs. KELLY. Due to the fact that a large number of our imports consist of strategic materials, do you believe that sufficient funds have been earmarked in this bill to help the productivity of our undeveloped areas?

Mr. ROCKEFELLER. Not as far as raw materials are concerned. I do not think there is very much in this bill which really directly relates to the increasing of production of raw materials. There are other agencies dealing with that, but personally I feel, and I know the International Development Advisory Board felt, that they should be very intimately interrelated. If you are to increase the production of raw

materials in a country, you must have transportation and housing, public health and sanitation work, and the other services that are needed in connection with economic development. One of the very fortunate things in connection with this whole question of economic development of the underdeveloped areas is that we do need their raw materials. Then there is a mutuality of interest that gives the base for an intelligent and effective program of cooperation.

Mrs. KELLY. I stayed away from the word "assistance" because I knew you did not like that.

Mr. ROCKEFELLER. Thank you very much.

Mrs. KELLY. Then on your organization, the Overseas Economic Administration, from this report, if I remember it correctly, that is more or less in the administration field entirely.

Mr. ROCKEFELLER. No. We recommended there be created a separate agency into which ECA, the TCA Point 4 functions presently located in the State Department, the Institute of Inter-American Affairs, and other overseas economic operations would be placed. We recommended that the Bureau of the Budget should study such operations as export control and foreign procurement, etc., and come up with a recommendation as to how they can be integrated with the other functions in an over-all Overseas Economic Agency. Thus our whole foreign economic policy and programs would be coordinated and operated under one direction.

Mrs. KELLY. I was very much interested in that because I had hoped we would have a director to coordinate all of our overseas agencies, including the military.

Would you include the military appropriations under that?

Mr. ROCKEFELLER. Frankly, that was a new thought to me. I cannot see how the military program can be intelligently handled by an economic agency. It seems to me the Army, Navy, and Air Force are not going to relinquish their powers in that area, nor should they. They are the ones who are qualified to judge what is needed and what can be done in the military field with other nations. If there is a question of whether certain material be produced abroad, and how would it affect the economy of another country, then I think the military should consult the economic agency, and that they should take over at that point and cooperate with the military.

As I see it, there are four basic factors in our foreign economic relations—political, military, economic, and psychological—there needs to be clear direction and policy formulation in each area, but close coordination between them. I would not favor putting them together, but would have them work closely together where there was a community of interest.

Mrs. KELLY. I agree with you as far as the military is concerned. However, I do think we need the common items to be incorporated under this single agency. I think we will get to the point where we would save a great deal. I do not like the purchasing angle of the military. I would like to have it incorporated under this in order to direct not the policy, but to oversee the expenditures. Let us put it that way.

Mr. ROCKEFELLER. Where production was being contracted for abroad I should think the economic agency could be of assistance. Where it is to be determined how much of a certain type of equipment can be used effectively in one country, and how the men can be trained

to use it, I do not see that an economic agency could contribute. If the economic were not separated in that agency from the military I should think it would be extremely difficult for either of them to develop effective programs.

Chairman RICHARDS. The gentlewoman's time has expired.

Mrs. KELLY. Thank you.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. In connection with a single agency which you have in mind, I recall in your report that you went pretty far from the point of view of suggesting further financing bodies to supplement the work of the Export-Import Bank and the World Bank. The first thing, it seems to me, is how you can coordinate the Export-Import Bank and the World Bank in this picture. That is not a very easy thing to do.

I take it your supplementary financing agency would have largely to do with equity financing. Is that not the idea, or is it partly equity financing and partly debt financing?

Mr. ROCKEFELLER. There was one additional one—the financing of public works essential to development which could not be financed on either a debt or an equity basis. It was for this reason that we suggested the possibility of an International Development Authority administered under contract by the International Bank, but with a separate board that had policy responsibility. The Authority would receive funds from all of the nations in the United Nations or the free world who were willing to participate, according to their capacity. Thus the Development Authority would have funds that it could make available on a grant basis to projects financed by the International Bank to supplement the loan where the loan was not enough to make possible the development of the public works.

Mr. HERTER. Has not the bank itself in its experience found that quite frequently it could make a good loan if there were alongside of it some sort of a grant that could be made for transportation facilities, or something of that kind?

Mr. ROCKEFELLER. That is right.

Mr. HERTER. Which would justify what they considered a worthy loan otherwise.

Mr. ROCKEFELLER. Exactly. I might say, if you permit me, that one of the reasons why we felt that this was important was: That public works are basic to development. Without roads, or power, or irrigation, and so forth, an area cannot develop effectively. The development might be important not only to that area, but to the free world as a whole because it involves the strength of that nation or strategic raw materials for export. However, we did not feel the United States should make large-scale unilateral grants to other countries for public works except during the emergency. We felt it could be justified neither to the Congress nor the people. We felt also it might bear the seeds of international political corruption. Embassies in Washington might be judged in their own countries by how much money they got out of the United States in the form of grants or gifts. It would put an entirely wrong emphasis on our political relations with other countries.

Therefore, we agreed that while the United States should not continue a large-scale program of direct grants for public works after the emergency, it must find some way to participate with other nations

on an international basis, promoting basic developmental projects. Therefore, we suggested the formation of an International Development Authority.

I would like to give just one illustration of how it might work. The tensions in the Near East between the Israeli and Arab groups are well known and can have very serious repercussions not only in that area, but throughout the world. One of the problems is the settlement both of people coming into Israel and the 750,000 displaced Arabs.

If for instance it were possible to develop a Jordan Valley Authority which cut across Arab territory and Israeli territory, and opened up lands for both groups for settlement, it might be the basis of resolving the serious international problem as well as one of the major economic and social problems of both groups. Neither of those groups can do it alone. They do not have the money, nor are they likely to get together. But if there were an International Development Authority working with the International Bank, the Bank might organize the Jordan Valley Authority and make a loan for half the amount and then secure from the International Development Authority a grant to make up the other half of the funds needed. Thus broad objectives would be realized which are in the interests of all, but which today cannot be accomplished because the mechanisms do not exist.

Mr. HERTER. Have you examined into the possibility of the creation of that authority under the existing charter of the World Bank?

Mr. ROCKEFELLER. Yes. We discussed it with the World Bank and while they agreed that it was within their powers to establish an International Finance Corporation, they felt that there would have to be a new international convention in order to create the authority.

Mr. HERTER. So it would have to be done internationally.

Mr. ROCKEFELLER. Yes.

Mr. HERTER. It cannot be done unilaterally by ourselves, merely by the passage of legislation.

Mr. ROCKEFELLER. No. In this connection it is interesting to note that the four members of the United Nations Commission which recently made a study recommended the formation of an International Development Authority and an International Finance Corporation. If you permit me, I might say a word about the Finance Corporation.

It was largely designed to help mobilize investment capital for productive use in the underdeveloped areas. There are no investment banks in those areas and the savings are small, and they have no channel through which to join together to finance productive enterprises. In addition, American capital has great difficulty in finding partners in those areas, and they cannot sell securities because there is no market. They need United States and European capital to join with local capital.

We recommended that the International Bank set up an International Finance Corporation as a subsidiary corporation and that it invite the member countries to subscribe to a preferred stock on the same percentage basis as their participation in the International Bank. The International Finance Corporation would then be in a position either to loan money against senior securities or participate

in nonvoting common stock in the local currency of any one of the underdeveloped areas. For example, if you wanted to set up a shoe factory and were willing to take your machinery with you but did not want to convert dollars into pesos or rupees; or whatever it was, because of the added exchange risk, you could get local capital for equipment and building expenses through the International Finance Corporation. The corporation in turn, when the business became successful, would resell the securities to small investors, and in that way act as an investment bank on an international basis.

We explored the possibility of having the Export-Import Bank perform this function. The Bank did not want to do it, and anyway it seemed better that this function should be performed by an international institution.

Mr. HERTER. Has not the World Bank done that on a limited scale in Turkey, for instance, in setting up a local bank?

Mr. ROCKEFELLER. Yes. Through a round-about method which is cumbersome for them. At present, they have to set up a small corporation and go around Robin Hood's barn legally rather than do it directly through an investment capital subsidiary.

If I may do so, there is one other point I want to bring out. Before the war there was considerable investment in foreign-dollar bonds sold in this country. A sound railroad or a sound utility, or a manufacturing company in India, or Brazil, or Africa, could sell dollar equipment bonds to buy machinery in the United States.

However, with increasing exchange restrictions this became more difficult because of the risk of not being able to get exchange to meet the interest and amortization payments. To meet this situation we recommended that the Export-Import Bank—and this is the only form of guaranty we called for—underwrite the convertibility for a fee. Thus if the Paulista Railroad of Brazil wanted to buy railroad equipment in the United States, which they did recently, they would be able to offer dollar bonds to United States investors with an underwriting by the Export-Import Bank covering the availability of dollar exchange with which to meet interest and amortization payments on due date. For the underwriting of this risk, naturally they would pay a fee. In this way sound foreign companies should again be able to sell dollar bonds in the United States market. This should open up an important source of investment money for foreign countries.

I have a chart here which shows past trends in this field. You will see that the black line on this chart indicates the dollar bond sales in the United States. This is our total United States investment abroad. These are local currency investments, both long and short-term. You will see Canada is practically the only country which sells dollar bonds in the United States. Few others do because of the fear of exchange risks. Canada has a total of \$1,525,000,000 dollar bonds outstanding in the United States. Europe and Latin America have very small amounts. Most of the United States investments in Latin America are direct investments.

These charts, representing facts pertinent to the subject are available, if the committee would like to have them in photostat form, as statistical material.

Mr. HERTER. You have not assembled these charts in any publication or anything like that, have you?

Mr. ROCKEFELLER. Some of them we used in the report, Partners in Progress. However, I am sure the Advisory Board would be very glad to have photostatic sets made for the members of the committee.

Here is a very important one. This shows the trend in different types of United States investment abroad by United States manufacturing concerns during the period 1919 to 1949. Investment abroad in this field increased slowly during the thirties, and then during the recent years it has gone up substantially. Petroleum since the war has gone up very sharply, while the total investment in public utilities has gone down. Mining and smelting have stayed about the same. These are indicative trends.

Now, here we have the figures on the amounts invested in the field of distribution. That affects the internal life of a country, and that is starting to go up.

Mr. VORYS. Is that chart in billions?

Mr. ROCKEFELLER. Yes; billions of dollars. Sears, Roebuck has set up 20 stores in Latin America which have had a significant effect on merchandising methods in Latin America. It has been a most important thing from the point of view of the domestic economic life in those countries. Sears is now working with the local manufacturers to help them in introducing new methods of production at lower costs, improve style and quality and increase volume. That kind of cooperation is very important.

Mr. HERTER. Mr. Chairman, I think it would be very important to get photostats of these for the committee.

Mr. ROCKEFELLER. I will see that that is done with great pleasure. This chart shows American investment abroad since the war. It has gone mostly to Latin America and the Middle East.

Here are the various fields into which it has gone. Petroleum has been the largest one—\$1,800,000,000. Manufacturing and distribution next. Mining and smelting are very slow, and yet the Government is supposedly making every effort to step it up. Public utilities lost ground to the tune of \$171,000,000 invested abroad. They have been liquidating their investments abroad. Statistically these charts are quite interesting and very revealing.

Mr. REECE. Has the movement toward nationalization affected the investment in utilities and mining?

Mr. ROCKEFELLER. I think the small return on utilities investments, due to the refusal to grant rate increase, and rising costs, has resulted in their just amortizing their investment and not reinvesting the funds. There has been some expropriation, but I think really it is a rate problem and low earnings more than anything else that has caused a decline in United States investments abroad in this field. Naturally rates are a very hot political subject abroad, as they are at home. However, the result is that there is a growing shortage of power in most of the underdeveloped areas.

Mr. BATTLE. Mr. Herter, I have just consulted with Boyd. He will get these charts photostated.

Mr. HERTER. That will be fine.

Mr. BATTLE. Your time is up, Mr. Herter. I believe Mr. Roosevelt is next.

Mr. ROOSEVELT. I have no questions, but simply want to apologize to Mr. Rockefeller for my own and that of the other members' rather scattered attempts to be here, because of the importance of the legislation down on the floor.

Mr. BATTLE. Including several votes.

Mr. ROOSEVELT. That is right.

Mr. BATTLE. Mr. Javits.

Mr. JAVITS. Mr. Rockefeller, I would like to join with Mr. Roosevelt in that. I hope you will understand that is why I will be leaving after these questions. However, I do have some questions.

Do you feel, in what you have outlined in this Partners in Progress, that you have tried, or at least made a beginning at outlining what should be the role of American leadership in the world?

We have all heard a great deal about the fact that we are said to be "shoring up" status quo regimes' bad land holding. We know, for example, a good deal about practices which are at the heart of so much that is retarding the underdeveloped areas. Do you feel that this outline showing what is needed if the world is going to continue the upward march industrially is an ample supply of raw materials, and that this involves a natural partnership between the developed areas and the underdeveloped areas, and that you are laying out a plan for such partnership which is truly the American system in world leadership?

Mr. ROCKEFELLER. Yes.

Mr. JAVITS. So when you speak of an independent agency which, as I recall it, you called the Overseas Economic Administration, you are speaking of an agency which is going to symbolize and make concrete that program? Am I correct in that?

Mr. ROCKEFELLER. You certainly are, and you have expressed it perfectly.

Mr. JAVITS. So it is of very great importance in the foreign policy of the United States, and this truly should be a new program, which is what everybody here has been saying.

Mr. ROCKEFELLER. I think it is essential we have it for our national interest.

Mr. JAVITS. Do you feel by doing that, by concentrating on the economic-development side in this way, in this partnership, by which we get raw materials and we give know-how and we invest capital for manufactured goods and for better agricultural practices, and for roads, and harbors, and health education, and so on—

Mr. ROCKEFELLER. Pardon me. You do not mean "give" but you mean "invest"; do you not?

Mr. JAVITS. Yes. We invest. Do you feel by this partnership we can cut through to the heart of the difficulties created by archaic economic and social institutions in these areas without force—or revolution—bringing about the needed changes?

Mr. ROCKEFELLER. Very well put. I think it is exactly what will happen. Through that dynamic evolution forward the social changes will move with the economic strength.

Mr. JAVITS. And the partnership is 50-50 on both sides. We get dollar for dollar everything we invest in the way of raw materials, which we urgently need?

Mr. ROCKEFELLER. Exactly. And they get vice versa, the same.

Mr. JAVITS. Is it a fact that for the most part these are raw materials could not be developed in the United States?

Mr. ROCKEFELLER. They do not exist in the quantities we must have.

Mr. JAVITS. As to the raw materials in this country, obviously we are running down on the petroleum, and we do not have bauxite, and various raw materials.

Mr. ROCKEFELLER. If we can maintain our present rate we are doing well.

Mr. JAVITS. If our economy is to move up productionwise in output—not in dollars, but in actual output—we have to have these raw materials.

Mr. ROCKEFELLER. Exactly.

Mr. JAVITS. And to Europe they are even more necessary than they are to us.

Mr. ROCKEFELLER. Exactly.

Mr. JAVITS. One final question. You spoke of this as a program for youth. Could you take the rest of my time and just tell us why? Because of all of the problems of our country domestically which to my mind are the most serious, the one which stands out is that of giving our young people a feeling that in this world you can still go out and make money and become independent and really get somewhere in the traditional way in which we have known it in the United States. It seems to them so often that they face frustration in our own country.

Would you be good enough to say something about that?

Mr. ROCKEFELLER. First I would like to say that you have expressed much better than I can, Congressman Javits, the essence of this concept, and I would like to associate myself with your very clear remarks.

Secondly, as far as youth is concerned, I have been traveling around the country for the last few months since the publication of the Board's report, making talks on this subject. Included in these talks have been various university groups and other groups of young people. I have found more interest among them, and perhaps more enthusiasm for the possibilities in this kind of cooperation on a world basis than in any other group in the country.

With the closing of our own frontiers there is hope that other frontiers still exist in the world. These young people are seeking new opportunity, the chance to move out, to go to other parts of the world.

Our country was settled by people with that dynamic urge to find new opportunities, and they found them for many years in the country. Now the opportunity seems to be in other parts of the world.

Secondly, I think the young people of this country naturally assume that we are an integral part of a world scene; and they want to be identified positively with that world scene. I think they want to feel that we are not just working for our own limited interests as a Nation, but that we are working for our interests plus the interests of the people of the world as a whole. I think psychologically that is a very important factor. I feel the same myself.

Mr. JAVITS. Thank you very much.

Mr. ROCKEFELLER. Thank you.

Mr. BATTLE (presiding). The gentleman's time has expired.

Mr. Ribicoff.

Mr. RIBICOFF. Mr. Rockefeller, I gather from what you have said you believe there is still ample room for United States capital and United States private industry to take part in the development of this program. Yet there have been quite a few of us in this committee who have been interested in that end and who find very little encouragement from the people who have been charged with the various

parts of this governmental program. They tell us that even with the various guaranties there is basically no interest on behalf of United States capital or industry to take the attendant risks of going abroad, with the lack of stability there, when the incentives are so much greater for the equivalent amount invested in time and money in the United States.

Under those circumstances, what do you think is the important factor needed to bring in private capital as part substitute for the taxpayers' dollars?

Mr. ROCKEFELLER. I am delighted you asked the question and put it as you did, because that is a pretty fair description of the point of view which exists in most of the agencies, and of the problem itself. Our advisory board studied this question with great care.

First, we came to the conclusion that guaranties were not the answer. Guaranties are not what make private enterprise function. It is a profit-and-loss system. It is a system of risks and gains, and guaranties are not an integral part of the motivating forces of the system. Therefore, we came to the conclusion that guaranties would not serve the purpose.

With the opportunities which exist, as you mentioned, for profitable investment at home, and with the high taxes necessary for our Government to meet the social and the security responsibilities which the people of this country want, there is no point in capital going abroad, where the risks are far greater than they are at home, and where the returns are very little greater, if on the basis of having overcome those risks they make an earning, when the earnings are then taxed at the same rate as domestic earnings.

Therefore, we felt that the only major stimulus which could be given to the outflow of capital would be the removal of domestic taxes on earnings from abroad and allowing those earnings to pay only the taxes of the countries in which the earnings are made.

Mr. RIBICOFF. But in the light of the world instability, and of course we deal with it all the time and we have to recognize it, do you think private capital, even on that basis, would go out? I think we agree that the question of unlimited profits from investments abroad is wrong. The Iranian oil situation proved that point.

Mr. ROCKEFELLER. Correct. That is right.

Mr. RIBICOFF. So, therefore, private capital X goes into country Y and sets up some sort of an arrangement, with the hope the arrangement would take in local capital too on a sort of partnership basis.

Mr. ROCKEFELLER. That is right.

Mr. RIBICOFF. And they would get a fair return, commensurate with the risks.

Do you believe, in view of the question of expropriation and the question of revolution and the question of changes that could take place, that they would risk their capital on the basis of not paying the double taxation? Do you think that?

Mr. ROCKEFELLER. It is not always a question of double taxation, because where a United States company has a majority ownership of a foreign company local taxes can be deducted from United States taxes. It is the difference in tax rates on corporate earnings, let us say, of 15 percent paid in most of the underdeveloped areas, and 47½ percent or 52 percent, or, let us say, around 50 percent tax on corporate earnings here. That is a tremendous difference.

Mr. RIBICOFF. I know about the tax, but let us say company A is going into an underdeveloped area and invests \$1,000,000. I mean, if it is a sound business with a sound end in view, it is obvious they are not going to start drawing profits the first year. It is going to take them some time before they can start earning.

Now, the average businessman might feel it would take him 5 years before he can start getting a return. Do you think he will make that investment of \$1,000,000 on the tax incentive alone, separate and apart from the assurance that his capital will not be in jeopardy during the time it will take him to start earning on his investment?

I think this is a great problem or hurdle we have to jump.

Mr. ROCKEFELLER. I know that some will not agree, but I do not think the expropriation or confiscation risk is as big a hurdle as a lot of people think it is to private capital going abroad. People talk about it a great deal, and there have been cases of it. But I believe a company that goes abroad and renders a useful economic function in another country runs very little risk of having its property taken away if the people and the Government of that country feel it is serving their interests.

Mr. RIBICOFF. Then it becomes very important as to the type of investment that is undertaken.

Mr. ROCKEFELLER. The type of investment and the manner in which the company conducts itself in the country abroad. I think increasingly capital today is recognizing its responsibility to the community—its social responsibilities abroad, just as it does at home, and I think foreign countries are responding to that recognition.

Mr. RIBICOFF. From your acquaintanceship and personal experience, do you think that there is American capital today ready to go abroad?

Mr. ROCKEFELLER. Yes; I do. Capital is now going at the rate of about \$700,000,000 a year.

Mr. RIBICOFF. Which, as you said, is basically little, considering the amount of our production.

Mr. ROCKEFELLER. I was talking to an executive of a corporation just the other day who was considering setting up a manufacturing establishment abroad. They figured their returns would be such that they could write off the investment or get their capital back through earnings in X years. But when they had to pay the domestic United States tax on top of that, the period of return was so prolonged that they could not afford to run all the contingent risks of exchange, and so forth. So, they did not make the investment.

I think there are many marginal operations where corporations would go abroad if it were not for the high rate of domestic taxes which is levied on foreign earnings. I think everybody would be surprised at how much private capital, in addition to corporate capital, would go abroad, if private capital were given relief from domestic taxes corresponding to the relief recommended for corporate earnings from abroad.

Mr. RIBICOFF. Just take another facet of your statement. Say the main problem is the question of production and distribution, and that has mostly been by private enterprise in this country. I think you said that would be the pattern that would continue. But all over the world you find a solidification in government control of business and enterprise in exports and imports. Certainly that is the case behind the iron curtain. We saw Hitler doing that with Germany.

Mr. ROCKEFELLER. Yes.

Mr. RIBICOFF. As some of these newly developed countries are coming up with a nationalistic spirit, it does not seem that private enterprise is playing too great a part in these young countries, which are so basically poor and probably are in a position now and in the foreseeable future of controlling their exports and imports on a governmental basis.

Do you think that the United States could assist in that type of a world market, where it might find itself one of the few countries on a private enterprise basis, dealing with all other countries on an export or import basis where the Government controls?

Mr. ROCKEFELLER. I think it is going to be extremely difficult and is going to force more and more controls domestically on our economic life.

Mr. RIBICOFF. In the United States.

Mr. ROCKEFELLER. Exactly. Because our economy is integrated and interdependent with the economies of these other countries. Therefore, I think we have to do everything possible to make available the tools which have made this country great, which are the tools of private enterprise. We must give those tools encouragement to go abroad and contribute to the development of other countries.

Mr. RIBICOFF. As an example for these countries to follow that system?

Mr. ROCKEFELLER. Exactly.

Mr. RIBICOFF. While they are in the embryo stage?

Mr. ROCKEFELLER. That is right. I think there is a greater tendency for them to accept and be willing to, shall we say, experiment with private enterprise now than there was before, because the peoples of the under-developed areas are demanding of their governments a higher standard of living, and those responsible in the governments are finding themselves unable to bring about those conditions. Therefore, they are exploring every avenue they can to increase production.

To increase the productivity of labor today means investment in machinery and equipment, and that means capital. They have not got it, and therefore they have to look abroad for it.

Mr. RIBICOFF. With the rapid drift toward nationalization, if the United States then wants to preserve a free enterprise system for a good segment of the world, it does not have too much time, does it?

Mr. ROCKEFELLER. That is right.

Mr. RIBICOFF. In other words, it has to work fast.

Mr. ROCKEFELLER. Yes. There is a nationalistic drift, but I do not think it necessarily means nationalization. Brazil, for instance, I think is going the other way. They find their Government deficit is largely made up of the deficit of the railroads and port operations, and other businesses that the Government found itself in. They would like to dispose of these businesses in order to cut down their Federal deficit, so that they will have more money for the functions which they feel the Government should be carrying out.

Mr. RIBICOFF. Not only South America, but southeast Asia and the people of India and the Middle and Near East, and those areas of the world.

Mr. ROCKEFELLER. I sincerely feel we should study and explore fully this possibility of a tax incentive before we give up hope. I believe that it can be effective. There is a precedent for it, and I do not see, nor did our board see, any other really hopeful avenue.

If I might, Mr. Chairman, I should like to tell you a story.

A representative of a foreign government press service came in to talk over the report. He was a young fellow, and he said, "I am a great student of Marx."

He said, "One thing about your report I cannot understand, because it does not fit in with Marx's theories. That is, we were taught when a capitalistic society reaches its maturity that its capital goes out to all parts of the world and dominates exports and enslaves labor of the underdeveloped areas. Yet, in your report you say that the major problem is how to get or how to stimulate the outflow of capital, which will not leave this country." He said, "There is something wrong, because that is not the way that is supposed to be."

I said that I thought there were three reasons for that: One, Marx made his studies and observations in the early stages of the industrial revolution before democratic capitalism had reached its maturity and came to recognize its social responsibility. Therefore, he was drawing his conclusions from an incompleting evolution of the capitalistic system.

Secondly, the tremendous capital investment in machinery and equipment per worker in this country, and the skill of the workers themselves that capital can produce more at lower cost and earn more with high-priced industrial labor at home than it can with cheap labor in the underdeveloped areas.

Thirdly, that as capital has to pay high United States tax, which our democracy levies in order to meet its high standard of social responsibility, whether the earnings are from investments at home or abroad, it would rather invest at home where the risks are less and the opportunities great.

He was very interested, and somewhat confused. I think these facts provide a major denial of the basic Marx philosophy. The great task ahead is to see that this same system not only works for us in the United States but that it contributes to the development and well-being of peoples in the rest of the world upon whom we are dependent for our freedom and security.

Mr. BATTLE. That is very interesting. Do you have any other questions, Mr. Ribicoff?

Mr. RIBICOFF. Thank you very much.

Mr. BATTLE. Mrs. Bolton.

Mrs. BOLTON. You have spoken of the average income of the underdeveloped countries being very low, namely, \$80.

Who determines what is a minimum standard, or who determines what that \$80 does?

Have you taken into consideration that the needs are actually less in certain countries than in America? To give the picture that \$80 is the minimum is rather a deceptive picture, is it not? Is it not a little fuzzy? If people read a statement stating that the average income is \$80; it sounds unthinkable, when in reality the equivalent of that \$80 in certain countries would mean possible existence at least.

Mr. ROCKEFELLER. I think that is a very fair comment. In this country you could not live on \$80, whereas in some countries you can exist on \$80. However, I do think that the illustrations I gave regarding the copper industry and the agricultural workers is an indication of the inability of people at that level to produce enough either to earn a decent living for themselves and their families or to

contribute to the strength of the economy in which they live. They can just produce what they can do with their own hands without the aid of power or machinery. It is in these areas where human labor is cheaper than animal labor, where the people carry things instead of using even donkeys, because human energy is cheaper than any other form of power.

Mrs. BOLTON. Yes. Of course, where they use ancient ploughs and are then persuaded that the village blacksmith can put on a metal cover and so make possible the preparation of ten acres instead of two.

Mr. ROCKEFELLER. I think what our industrial evolution has proven is that with an investment in machinery and tools the worker can produce more and he can live better, and the whole economy moves forward with greater strength.

To give that dynamic thrust to these other economies, I think greater productivity of labor is the really important element. Only through greater productivity can the people of these areas become self-respecting, producing citizens in the free world.

Mrs. BOLTON. It seems to me one of the great problems ahead for the world is its human over-production. The Colombo report says India is going to have 720,000,000 people in 20 years.

Mr. ROCKEFELLER. That indicates a tremendous population growth.

Mrs. BOLTON. Yes; population. There are people who are hoping in another couple of hundred years that something will be developed in the minds of the various races so that they will control populations at least to a degree.

Now, if we go in with either private enterprise or Government aid and we save the babies and keep the old people living, and if we do that ahead of the economic development, then we are really doing a rather terrible thing, are we not?

Mr. ROCKEFELLER. It is a serious problem, indeed.

Mrs. BOLTON. Or do you think it will serve as an incentive to an increase of economic development?

Mr. ROCKEFELLER. I think personally it would serve as an incentive for increased development, because I know from personal experience in the Western Hemisphere that a man who has hookworm, malaria, and one or two other diseases, and who is undernourished, just cannot produce enough even to keep himself alive.

One of the things we talk about in this country is the lack of willingness to work, of other peoples—the existence of the “manana” spirit. What so many people do not realize is that so many of these people cannot work. They are sick and undernourished. They have not the physical strength to work more than a couple of hours a day.

Mrs. BOLTON. That is very true.

Mr. ROCKEFELLER. Those people cannot produce enough to keep themselves alive. As their health is improved and they begin to get more food and better education, and as capital moves in to give them tools with which to work, I think their productivity can move ahead of their population growth.

I believe the knowledge, and the capital, and the managerial experience exists in the world today to increase production of food and other essentials more rapidly than population.

Mrs. BOLTON. There is another health question I would like to ask. There is a good deal of mention of minimum health standards. Who determines those?

Mr. ROCKEFELLER. The United Nations has set—and I think we have a chart on health here—2,550 calories a day, I believe, as being the minimum.

Mrs. BOLTON. I am glad you spoke of calories, for we are beginning to learn that a man can eat 3,400 calories and yet be minus some of the most important things that mean health. For instance you have many calories—but if you do not get any iodine, you produce feeble-minded children, cretins, epileptics, deaf-mutes, etc. That is what I mean by minimum health standards.

Just to do it on a calory basis is not enough. Am I wrong in thinking that different areas of the world will have different minimum health standards for at least 500 years.

Mr. ROCKEFELLER. I think that is also a very important point to bring out. Undoubtedly calory consumption in one area will be different than in another. However, when their lack of basic foods reaches the point where millions of them starve, it is pretty convincing.

Mrs. BOLTON. Yes. That is the disturbing thing, but on the other hand a man who works in a mill must eat more than a man who just mows his lawn.

Mr. ROCKEFELLER. That is a very good point. If these people are to produce in mines, or factories, or on the farms, they have to have corresponding strength. I think that it is a matter of general agreement among public health officials that in most underdeveloped areas the majority of the people are undernourished, and, therefore, unable to produce what they should be able to do in their own interests and in their country's interests.

Mrs. BOLTON. There was a very interesting experiment made on one of the South Sea islands by a Cleveland man, who went out to see what might happen if primitive people were exposed to our western foods. There had been no cripples and no feeble-minded people on this particular little island. He persuaded a family or two to take our flour and our sugar and so forth. They began almost at once to develop the various types of which I spoke a moment ago.

It would seem to me that such things should be taken into consideration in whatever we set up. Let us not foist upon others the stereotyped methods we have become all too used to here. I hope we shall not spread that really unsatisfactory type of health standards across the world.

Mr. ROCKEFELLER. I am awfully glad you made these points because I do think the tendency is for all of us to generalize to develop certain yardsticks which are dangerous when applied specifically.

Mrs. BOLTON. I am glad to find you in agreement.

Mr. ROCKEFELLER. I know the records of various oil companies who have done into the underdeveloped areas where they have recruited large numbers of workers locally. Their experience has been when they give these people proper medical treatment and adequate food they gained on the average between 25 and 35 pounds. The time out for sickness and disability was greatly reduced, and as the next generation came along the children averaged 4 or 5 inches taller than their parents.

This is pretty tangible evidence that certain necessary elements were lacking.

Mrs. BOLTON. As long as we do not do it all on a calory basis or all on any one basis.

Mr. ROCKEFELLER. I think that is very well taken. This chart shows the export trade of the world as a whole has gone up 12 percent since the war. In the United States and Canada it has gone up 69 percent. In Western Europe, 11, but trade in the underdeveloped areas is down 7 percent, while their population is up about 10 percent. So that there is definite statistical evidence which is very significant.

Mrs. BOLTON. Thank you very much.

Mr. ROCKEFELLER. Thank you.

Chairman RICHARDS. The time of the gentlewoman has expired.

Mr. VORYS.

Mr. VORYS. Mr. Rockefeller, when we had point 4 we were told that underdeveloped areas meant those where people got less than \$100 a year. Now, your underdeveloped area figure is \$80 a year. What is your yardstick for what an underdeveloped area is or are?

Mr. ROCKEFELLER. We have taken the areas of Latin America, Africa, Southeast Asia, South Asia, the Middle East Turkey and Greece, and Oceania, as the underdeveloped areas of the free world.

Mr. VORYS. Yes.

Mr. ROCKEFELLER. Their annual incomes range from an average of \$152 in Latin America down to \$30 in South Asia. Europe's runs around \$473, and ours \$1,400. I suppose you could draw that line somewhere else, as parts of Latin America certainly have industrial developments which would not be called underdeveloped.

Mr. VORYS. But the world maps on the point 4 hearings are approximately the same as yours. Now, of course, what we will spend on that is a secret, for some reason, so I cannot tell you what is in the books, but a professor from out at Ohio State University wrote me that he heard the amount was to be around \$80,000,000. Suppose we just take that professor's information. I would like to get your opinion on that, as opposed to the \$500,000,000 which I understand you recommend.

Mr. ROCKEFELLER. I have just used the figures in the bill that is before you. The total is \$8,600,000,000. For the military, \$6,300,000,000; economic, \$2,197,000,000; for the underdeveloped areas, the total is \$512,000,000. Of this TCA, whose operations are limited to the Arab countries, three African republics, and Latin America and Israel, receives \$72,950,000. This is an arbitrary division between TCA and ECA. Our Board feels very strongly that TCA, the point 4 program, so-called, should be taken out of State and put into the proposed new central agency. If ECA is going to be the central agency, TCA ought to be in there.

To have two principal agencies working in relatively similar types of work divided arbitrarily into geographic areas of the world seemed to us to make no sense. Such an arbitrary division prevents the proper integration of both planning and operations.

Secondly, the ECA operates on a different philosophy from the TCA. ECA operates its own programs. It procures personnel and carries the work abroad itself. TCA operates within the State Department and really is a recording or accounting department. It really has no planning or operating functions of its own. There are about six divisions of the State Department who do various parts of the planning and supervisory work. TCA provides the money. The program is carried out through grants to other departments and

agencies of the Government—the Departments of Agriculture, Interior, and so forth—each one of which has set up its own Foreign Department to direct the use of its share of the money for overseas work. There are 23 Departments and Agencies of the United States Government working in the foreign field.

You have—as these figures show—all of these different agencies carrying out the overseas programs.

The Advisory Board does not feel that the present set-up gives either centralized planning, policy formulation, or efficient operation.

This chart shows where the TCA financed technicians presently are in the underdeveloped areas.

Mrs. BOLTON. Will the gentleman yield a minute?

Mr. VORYS. Yes.

Mrs. BOLTON. Will you explain, is TCA the same thing as point 4?

Mr. ROCKEFELLER. Point 4 is a great concept. It was that section of the President's inaugural address in which he outlined the basic philosophy of international economic cooperation. TCA is an embryonic program of technical assistance in the State Department which is a far cry from the President's original concept.

Mrs. BOLTON. Thank you.

Mr. ROCKEFELLER. You passed the Act for International Development.

Mr. VORYS. AID, we call it.

Mr. ROCKEFELLER. Which was supposed to translate this concept into action. That was a year and a half later.

Mr. VORYS. Now, let us get this straight. We had both technical assistance and stimulation of private investment before the President ever made his speech, but we did write up a new act that restated a lot of stuff that was in the legislation that you administered long before the point 4 speech was made?

Mr. ROCKEFELLER. In that connection, I think you will find this chart interesting. It shows the number of people and the department and agencies they represent who are carrying out technical assistance programs in the underdeveloped areas. The black dots on this chart represent the people from the Institute of Inter-American Affairs who are now operating programs with TCA money. As you see, they account for more than half the personnel carrying out TCA programs abroad.

Here is the key. The Agricultural Department people are shown in green. The Commerce Department people in orange. Also the Federal Security Agency, Institute of Inter-American Affairs, Interior Department, Labor Department, State Department, and a series of other agencies. Really, as you see, there is no TCA program, as such. It receives the funds while other departments or agencies make the plans and carry out the program.

If we are going to have a really effective international program of economic cooperation as envisioned by the President it has got to encompass more than just technical assistance. There must be a central agency which can bring together and coordinate in one place over-all economic and financial policy, strategic material procurement policy, export policy, and requirements of other nations, developmental program planning and assistance of various kinds. As things stand now TCA's funds go only for work in the area of basic services, such as health, agriculture, and education. It does nothing in the

field of production and distribution, or public works. The proposed new overseas economic agency would work in these areas through close cooperation with private enterprise and the various specialized agencies of the United Nations, including the International Bank.

Mr. VORYS. I think you will find as far as agreement around the committee table is concerned, that we are certainly not going to have two kinds of economic aid going on. Now, here is something interesting.

The Brookings Institution last September said there were 43 agencies carrying on overseas activities—not the 23 you mentioned.

Mr. ROCKEFELLER. United States Government?

Mr. VORYS. Yes. United States Government agencies. Here they are.

Mr. ROCKEFELLER. Forty-three?

Mr. VORYS. Yes. And the Civil Service Commission, says there are 172,000 civilians employed, stationed outside the United States, of which 88,000 are in foreign countries, and 84,000 in our own Territories and possessions.

So that that little list of dots there and that little measly 23 agencies you talked about is not the whole story.

Mr. ROCKEFELLER. We took the major ones.

Mr. VORYS. Of those 43 agencies the Army, Navy, and Air Force are 3. They are the military ones. So all the rest of them, 40 in fact are economic. At least they are nonmilitary.

Now, as I get it your organizational proposal would be that there be some sort of over-all policy and administration set up covering all of those activities?

Mr. ROCKEFELLER. As I am not familiar with the list of 43, I do not like to say that they should all be put in. What we did say and what I feel is that the major ones such as ECA, TCA, and the Institute of Inter-American Affairs should be centralized, thereby creating a good nucleus with which to start.

There is one major policy question affecting operation abroad which has been under dispute in the executive branch of the Government for a long time. The question is whether the domestic departments and agencies of the Government should undertake the operations abroad in their respective fields or whether they should be carried out by the foreign economic agencies such as ECA, TCA, and the Institute of Inter-American Affairs themselves. ECA and the Institute of Inter-American Affairs both operate on this latter policy—namely on a regional rather than a functional basis. TCA on the other hand gives its money to other departments and agencies of the Government who each set up little foreign departments of their own to handle their new work abroad. The disadvantage of this procedure is that it requires great duplication in overhead and handicaps effective coordination of planning, programing, and operation in the field as well as in Washington.

For these reasons, the Advisory Board came to the conclusion that it was imperative that there be one central overseas economic agency for both planning and operation—working of course within the framework of policy laid down by the State Department.

Mr. VORYS. Of course, what is happening is that we find the same thing with committees of Congress. There is not one committee, but there are a half a dozen or more in the House that deal with

various phases of foreign affairs, because the world is shrinking. Just as every one of these departments and committees deal with 48 States, pretty near every department and committee deals with 48 countries, and that sort of thing. That is because the world is growing smaller.

However, on this organization thing I agree with you that every program, certainly in a particular country, should be headed up under one American boss. However, I am inclined to think that person should be the direct representative of the President from the State Department, or the Department of Foreign Affairs. It is perfectly silly what is going on right now, having ECA and TCA fellows in the same country, and then having a United Nations man there, with all of them competing for the interest of the country in telling them how to improve themselves. I believe that is not a very good way to do it.

I also would like your judgment as to whether it is a good thing to have the Overseas Economic Administration have their fellow running the show in Brazil, or India, or any place else. If he does not run it, there has to be some head man, and if the State Department man runs it then you do not need the other man.

Now, it is a dilemma, and to me an extremely puzzling one. I know you have had vast experience with it. I would like to have your view on both the organization in this country, where I understand you prefer the ECA basis, that they get the other fellows on their payroll, and also in a foreign country. What would be your idea of the United States organization here and in foreign countries?

Mr. ROCKEFELLER. I am very clear on this, based on my own experience of having first been responsible to the President for running an independent agency which operated both economic and informational activities for our Government in Latin America and then having been in the State Department in charge of our relations with the other American Republics. I have seen both sides of the problem.

Secretary Hull always had a very deep conviction that the State Department ought to keep out of operations, that it ought to confine itself to policy and be free from the day-to-day administrative problems involved in these increasing complicated economic programs. He believed the State Department ought to be free to concentrate on broad policy, within which the operating agencies would work.

I was brought up in that school, as it were. While in the early days of the Office of the Coordinator of Inter-American Affairs we had some adjusting to do, to adapt ourselves to State Department policy we soon were able to develop a relationship and procedures which worked out very well. Only once did we run into a conflict with the State Department. It went to the President who straightened it out.

We worked out a project system and sent to the Department of State a complete description of each proposed project, including the need, the cost, the required personnel and the objectives. The State Department went over it for policy, and if there were any disagreements that could not be ironed out at the operating level it would go to a higher level. We found the procedure perfectly satisfactory.

Mr. VOYTS. Mr. Chairman, I want to remind Mr. Rockefeller, if I may, that one more thing has been added since you were working for

the Government. Up above the State Department, at the stratospheric level of foreign policy, is a Special Adviser to the President, Mr. Harriman, who is not only an individual, but I understand has an office—a whole office force. So that you have the State Department, it seems to me, being squeezed down from the top on the broad policy and squeezed over from the side by ECA and Defense, so that their functions are becoming less and less important.

You have that situation. The Special Assistant, or Adviser to the President, is represented on this Mutual Security Board. That is a new thing.

Mr. ROCKEFELLER. I see what you mean, but I do not believe it means the Department's functions have been reduced or limited. Just judging by personnel there are 20 times the personnel they had when I was in the Department of State less than 6 years ago. So that certainly whatever they are doing they have more people doing it.

The fact, is that we as a nation have far more responsibilities in the world and face far more problems than before. We find ourselves thrown into the middle of new relationships and, therefore, we have to take on new responsibilities. It is a period of difficulty certainly, but I think the encouraging fact is that you here and people all over the country are interested in and anxious to do something about the problems. I am sure we will come out with something that is constructive and useful. We may go through a trial-and-error period, but that is the history of a democracy.

I think the Department should concentrate on the policy issues. I know from my own experience in the Department that it was the greatest relief in the world to look to the President of the Institute of Inter-American Affairs or the heads of the other operating agencies for the responsibility of organizing and operating the programs.

Mr. VORYS. You mean when you were in State?

Mr. ROCKEFELLER. Yes. It is just like building a house. You do not try to organize to build it yourself, but go to a contractor.

If the Department sees that there is need for the development of an economic program in a certain country, and it can call on an efficient overseas exporting agency to organize and integrate the program it would seem to me that it would be an ideal set-up from the Department's point of view. On the other hand, if the Department itself has to organize the program its officers will be diverted from policy and bogged down in operations.

Naturally, whatever the set-up in Washington, the Ambassador in the foreign countries must be the top representative of the United States abroad. He is responsible for policy in all matters pertaining to United States relations with that country, but not for the actual operations of the field parties.

Chairman RICHARDS. Will the gentleman yield?

Mr. VORYS. Yes.

Chairman RICHARDS. You and Mr. Vorys have been up in the ethereal atmosphere of a perfect reorganization to handle the whole problem and all the problems in our foreign relations. One of these days we may have a kingdom of Utopia with statesmen wise enough to do that. However, we have a bill here. This bill envisions military aid, economic aid, and technical assistance.

I believe you said that you did not feel capable or qualified to speak as to whether or not the military aid we are talking about could be

integrated in a new organization effectively with economic aid in technical assistance. I believe you said that.

Mr. ROCKEFELLER. No. I believe I referred to the amount of money for the military program, but I think I also stated that I did not feel the military assistance should be in the same organization with the economic except where there is a question of production of military equipment abroad, in which case the economic might be of assistance.

Chairman RICHARDS. If the military aid comes under this umbrella which we are talking about, and which is desirable, and in which I am interested, as is every member of this committee, do you think a study should be made of the production you will have to have abroad and the production you will have to have at home. If you found you needed it here, that would have some repercussions on the economic set-up of the nations you seek to help.

I do not know whether you are right about the 23 organizations, or Mr. Vorys is right about the 43 organizations. The Hoover Commission made recommendations concerning this, and others have made recommendations concerning this. However, you would not seek in this bill, if you were a member of this committee, would you, to set up an organization that would handle it all? Would you not try to refine the other features of this bill and make a long study on the proposal you are talking about?

Mr. ROCKEFELLER. Unfortunately, I am not in a position to know your base of reference, as a Foreign Affairs Committee, in relation to this bill, so I really do not know with what point of view you are coming to the bill.

Chairman RICHARDS. We are trying to write a bill which is a good bill to provide economic and military aid and technical assistance to certain other parts of the world.

Mr. ROCKEFELLER. One specific point, in answer to your question is where should the point 4 program be located. If I am correct, in his message of transmittal the President said that question has as yet not been decided, but that the executive branch of the Government was giving consideration to transferring it to ECA. If I am correct, there has been some feeling in the executive branch that perhaps the Congress would express itself on that subject.

Mr. VORYS. I feel they will.

Mr. ROCKEFELLER. Our Board reported personally to the President our recommendation that all the foreign economic functions including the point 4 program be centralized in one independent agency. On that specific issue I think your determination would be important in his decision.

He has sent up recommendations on the basis of ECA being the principal operating agency. I am inclined to agree with you that for the present you do not have time to do anything more than to accept that recommendation, although ECA is scheduled to expire, if I am correct, in the not too distant future.

Therefore, if you do not make the study this year, I presume you are going to have next year or the year after in order to determine whether these activities will be carried on permanently. Therefore, I would agree with you that a study now would certainly be useful. There is a great deal of material already available including

the study and recommendations submitted to the President by the Advisory Board.

Chairman RICHARDS. But if it could be done economically for this country and the nations that we propose to aid, you think it would be a good idea for the military part to be integrated in this picture?

Mr. ROCKEFELLER. No. Frankly, I take the opposite position, that the military assistance program should continue as it is, as part of the Defense Department's responsibility. I believe that only where it seeks procurement of military equipment abroad it might use this economic agency to assist in the procurement.

I think in many countries the combining of the military and the economic would be very much misunderstood. They might feel economic activities were a front for some military penetration. It seems hard for us to understand such suspicion, because that is not the way our country works, but others might not know us that well.

I think that is a major factor to consider in talking about putting them together. But as I read this bill, there is no proposal to put them together.

Chairman RICHARDS. No.

Mr. ROCKEFELLER. The bill simply puts the budgets together, but not the organizations.

Chairman RICHARDS. That is right. There is no reference in the executive proposal, but we have to write a bill.

Mr. ROCKEFELLER. I see.

Chairman RICHARDS. Witnesses like yourself, who have given us a lot of valuable information, will contribute a lot to the writing of that bill. We appreciate very much your coming up here this afternoon.

Are there any other questions?

Mr. VORYS. Will the gentleman yield?

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. You heard Paul Hoffman say this morning that he thought this colossal, super-duper reorganization can be done in 30 days. What do you think of that?

Mr. ROCKEFELLER. I do not really think it is such a colossal reorganization. First there is the physical merger under one administration. That will require certain personnel adjustments, but is not too difficult.

Secondly, there is the evolution of the organization to meet the new problems. I presume the ECA personnel group would form an important basic part of the structure, and such groups as the Institute of Inter-American Affairs, which has an effective organization in Latin America, would fit in and supplement the ECA work in that area.

In connection with TCA, I would like to say that Dr. Bennett, its Director, is a man for whom I have tremendous respect and great admiration and affection. He is doing an outstanding job personally in using his knowledge and experience in the field of agricultural development work. I think he could play a very important part in such a new organization.

So my answer to you would be that I think the job could be done in 30 days and there would be far less of a stir than one might think. The thing is more simple than appears on the surface.

Chairman RICHARDS. A good business group could put this thing together in 30 days, I have no doubt, but do you think it will hurt the efficiency of the existing organization to do that?

Mr. ROCKEFELLER. No. To tell you the truth, I think it would help it, because there is tremendous uncertainty among these groups as to what the future holds. If they were put together in a permanent central agency dedicated to meet all problems in the international economic field, I think that it would give new confidence and a new sense of confidence to the people working in them.

Chairman RICHARDS. Thank you very much, Mr. Rockefeller.

Are there any other questions?

Mrs. BOLTON. It has been a wonderful afternoon.

Chairman RICHARDS. Thank you very much.

Before the committee adjourns, I wish the members of the committee would look at this report we have on the termination of the whole thing.

The committee stands adjourned until 10 o'clock tomorrow.

(Whereupon, at 5:35 p. m., the committee adjourned until 10 a. m. the following day, Wednesday, July 18, 1951.)

THE MUTUAL SECURITY PROGRAM

WEDNESDAY, JULY 18, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10:21 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we will continue our hearings on the Mutual Security Program. The first witness this morning is the Assistant Secretary of State, the Honorable George W. Perkins.

I would like to say for the information of the committee that this is an executive session, but practically all of this testimony, or as much as can be made public, will be included in the record of the hearings.

Mr. Vorys, you and some of the others, and myself included, complain sometimes about a lot of material that should not be executive and should be in the record.

Mr. Perkins agrees that, except for parts of this testimony which must be considered strictly secret, it will appear in the record as if in open hearings.

Mr. VORYS. As I understand it, the committee allows the witnesses in this sort of hearing to delete any matter in the interest of national security, or which is of a diplomatic or military character and is classified as secret, but otherwise leaves us as full a record as possible.

Chairman RICHARDS. That is right. We would prefer the witness to so state, when the matter comes up, if he considers it to be strictly off the record. You cannot always do that. Sometimes you have to look it over afterwards.

But you understand, Mr. Secretary, we hope as much as possible of your testimony will be in the record; is that agreeable?

Mr. PERKINS. That is agreeable.

Chairman RICHARDS. You may proceed, Mr. Secretary.

Mr. PERKINS. Mr. Chairman, I have a statement here which I can read or we can submit it for the record, whichever you prefer.

Mr. VORYS. I ask that the gentleman be granted permission to revise and extend his remarks in the record, and make such comments on it as may be helpful.

Chairman RICHARDS. Would you like to read the complete statement?

Mr. PERKINS. I think it would be better if I went through the complete statement.

Chairman RICHARDS. You have permission to put your entire statement in the record, if you desire, and you can just touch on the main

points now, and then subject yourself to questioning. Go ahead in your own way.

STATEMENT OF HON. GEORGE W. PERKINS, ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS

Mr. PERKINS. Mr. Chairman and members of the Foreign Affairs Committee, today, we are beginning discussion of that part of the Mutual Security Program which relates to the nations of Europe. I would like to discuss the broad outlines of this program, to review the premises and conditions on which it is based, and to indicate the major results which we expect from it. As the representative of the Department of State, I will give special attention to the current political situation in Europe and analyze briefly the most important political problems affecting the joint effort we have undertaken with the European peoples.

I will be followed by Mr. Porter of ECA who will deal with the economic side of the program, and by General Collins who will discuss the military aspects of the proposed European program.

I believe there is little disagreement within this country about our basic objectives in Europe, which have been recognized and developed by various important congressional actions during the past 5 years.

Our over-all objective is to work with the free nations of Western Europe in building and maintaining the political, economic, military, and moral strength which will permit our way of life to survive and prosper.

This objective is based upon our recognition of the simple fact that the strength and security of free Europe are vital to the security of the United States.

We all know the enormous contribution which our Western European allies can make to our common cause in terms of skilled manpower, industrial facilities, access to sources of raw materials, strategic geographical position, and so forth.

Conversely, we know that the military or political conquest of Western Europe by Soviet imperialism would give the Soviet Union the things it needs most and overnight would more than double its war-making potential. In recognition of this fact, the Kremlin has conducted an unceasing campaign to gain possession of the power represented by free Europe.

To assist the nations of Western Europe in meeting this challenge, the Congress of the United States, after various other aid measures, authorized the European recovery program. The success of this program is now a matter of record. A remarkable degree of economic recovery has been achieved, and a solid foundation laid for continued political stability.

But the Soviet imperialists do not give up easily, nor do they confine themselves to any single strategy. As the danger of economic and political collapse has subsided, the threat of armed aggression has grown. Recognizing this threat, the United States and 11 other nations of the North Atlantic community entered into the North Atlantic Treaty, and have undertaken to build the individual and collective defensive strength needed to deter, and if necessary, to repel, a military attack by the Soviet Union.

Several members of this committee who recently visited Europe are already familiar with our efforts to implement the treaty and with the results achieved. However, permit me to review briefly our major accomplishments:

Together, the United States and its allies have created machinery through which we are coordinating our common defense efforts. As we have gained experience, this machinery is being constantly refined and improved.

One important development in this connection has been the establishment of certain full-time bodies, such as the Council Deputies, the Finance Economic Board, and the Defense Production Board, assisted by expert international staffs, to carry on the work of various international committees which had previously met intermittently and therefore lacked continuity.

Important progress has been made in integrating the military programs of the NATO nations. Joint strategic plans have been agreed on, and are now being implemented. The most striking achievement in this field, of course, has been the creation of an integrated NATO defense force under the command of General Eisenhower, embracing not only command responsibility but also the strategic planning functions formerly performed by three regional committees.

There has been a substantial increase in the level of defense spending. The defense budgets of the European members of the North Atlantic Treaty Organization for the forthcoming fiscal year are 60 percent greater than the pre-Korean expenditure rate, and are nearly 80 percent above the 1949 rate.

There has been a significant and continuing growth in European defense production. The production by European nations of military equipment and supplies is now approximately double the pre-Korean rate, and will continue to increase rapidly during the forthcoming year.

All of our European allies have compulsory military service, and most of them in the last year have substantially lengthened their service periods. These lengthened periods of training, together with more efficient organization, improved military facilities and substantial additions to available equipment, have substantially increased the combat effectiveness of the European forces.

Finally, we have witnessed a steady improvement in the morale of the peoples of Western Europe. There is clear evidence that both their determination to defend themselves and their confidence in the ability to create a successful defense have increased appreciably in recent months.

The demonstration by the United States of its resolve to stand with its European allies, through its military and economic aid, its assignment of additional ground troops to Europe, and its designation of General Eisenhower as Supreme Commander, has been a most important contribution to this improvement in popular morale. The net result is a "heads-up" attitude in Western Europe.

While I believe that both the United States and its allies can justly take pride in these accomplishments, I do not wish to leave the impression that the job has been done, or even that a major part of it has been done. What we have accomplished to date serves primarily to prove that it can be done.

In order to understand the task remaining ahead, and at the same time to appreciate the reasons why we are able to view the future

with hope, it is desirable to analyze existing conditions in Europe and some of the special problems confronting that area.

The most striking fact, I believe, is that the over-all political situation in Western Europe is immeasurably better than it was a few years ago. I have already mentioned steady improvement in public morale. There has also been a marked decline in the power of Soviet-directed communism. In most countries, party strength and voting strength have fallen off substantially, and even in those areas where voting strength remains relatively high, the Communists have suffered heavily in terms of effective influence, as evidenced by the loss of parliamentary seats and the loss of control over important cities. Simultaneously, Communist influence in the European labor movement has diminished. The uphill fight of the free trade union leaders of Western Europe against Communist domination is one of the most heartening developments of recent years. The success of their efforts is reflected not only in the gradual growth of free trade union membership, but also in the failure of the Communist campaign to block the unloading of MDAP shipments and the collapse of their loudly-proclaimed demonstrations against General Eisenhower.

The governments of the western European nations, on the whole, are more stable than they were a few years ago. We still witness frequent cabinet crises in some countries, followed by a reconstitution of governments. While such events inevitably produce difficulties, it is well for Americans not to exaggerate their significance. The important thing to remember is that, among the European members of NATO, there has not been and there is very little likelihood that there will be, any governmental change within the foreseeable future which would result in a basic revision of the defense policies of the nation concerned.

We have witnessed a growing cooperation among the free European nations. In addition to NATO itself, such organizations as the OEEC, the Council of Europe, the European Payments Union and the Schuman plan have served to penetrate political and economic barriers and to help the western European nations achieve a degree of integration that would have seemed visionary a few short years ago.

On the debit side of the ledger, we must consider the fact that the internal Communist threat has persisted. While the danger of armed attack is Europe's greatest immediate concern, it is clear that the Soviet imperialists have not yet abandoned hope of a cheap conquest of Western Europe through political means. Communist propagandists are still actively seeking new bottles and flashier labels with which to peddle their discredited elixirs.

As we all know, a traditional political tactic of the Communists has been to exploit whatever social and economic ills they can find in free societies. Despite the success of the European recovery program, it would be a fatal error to assume that there are no weak spots in Europe for them to exploit. The rise in the price of raw materials during the past year has again revived the threat of inflation, and retail prices have risen correspondingly. The large number still voting for Communists in such countries as France and Italy reflects a situation in which millions of people still live at or below the subsistence level, in which acute discrepancies in living standards and social privileges have embittered the population, and in which signs of a new inflationary trend have aroused widespread anxiety. Most of these people

realize that their standards of living would be lower still if the Soviet stooges should come to power. But in countries where average monthly income ranges from \$35 to \$55 per month—where a laborer must work five or six times as long as an American worker in order to buy a dozen eggs or a pound of sugar—it is not easy for people to resist the mirage of Communist promises. Even those who actually don't want the Communists to gain control of the government sometimes vote Communist as the only emphatic method of registering a violent protest against existing social conditions.

While continuing to exploit hunger and misery, the Communists have also undertaken a major campaign to neutralize Western Europe by spreading terror and confusion. They seek to paralyze the free European through fear of war and occupation—to convince the non-Communist population that opposition to Soviet aims means devastation of their homes and business establishments, and to threaten them with personal reprisals when the Communists eventually seize power. At the same time, with their usual disregard for consistency, the Communists set themselves up as the champions of peace, implying that the destruction of war can be avoided if the peoples of Western Europe will break off cooperation with the United States and accept the octopus-like embrace of the Soviet Union.

A basic feature of this campaign, of course, is a relentless propaganda attack upon the United States and its motives in Western Europe. The Communists accuse the United States of a desire to launch a preventive war, in which Europe would be the main casualty. They charge that the United States seeks to destroy the sovereignty and the independence of its European allies and reduce them to the status of satellites. They call American policy inconsistent and whimsical and predict that the United States may at any moment suddenly decide to abandon Europe to its fate. They declare that the United States is solely interested in Europe as a base for warfare against the Soviet, and view the Europeans only as potential cannon fodder for American military designs.

We know that these charges are false, and the great majority of the western Europeans also know that they are false. Nevertheless, the widespread fear of war and the fact that many Europeans are confused about the real policies and intentions of the United States combine to provide a tempting target for the Communist political artillery. It is indeed encouraging to note that, despite these tactics, the Communists have thus far failed in their campaign to capture Western Europe.

To a considerable extent, the doubt, fear, and suspicion which still linger among the people of Western Europe result from the simple fact that free Europe is not yet capable of building the strength it needs without assistance.

Many people often ask why this is true. In view of free Europe's great human and material resources, it is natural to ask why our European allies can't build adequate defenses solely through their own efforts.

This, of course, is one of the key questions underlying the whole program. The answer involves a number of political, military, and economic facets, and we will undertake to provide whatever information the Congress needs on this subject. At this time, I will confine myself to a brief summary of the major reasons why free Europe needs help in building its defensive strength.

The chief problem is the time element. Over a long period of years, it is possible that Western Europe, acting alone, might be able to produce sufficient strength to play its proper role in the defense of the free world. But the Soviet threat is immediate. Our own security and that of other free nations demand that strong defenses be built quickly enough to forestall the designs of a ruthless Soviet dictatorship to which weakness is an ever-present temptation.

Our allies cannot meet this deadline solely through their own resources. They do not have the industrial plants required to produce the quantity of modern heavy weapons which have been found essential to effective defense against present-day attack. More important, their total economic capacity is not great enough to enable them to purchase these weapons or to bear fully the other costs of an adequate defense program. The European peoples have launched a substantial defense effort and have accepted heavy sacrifices. They are prepared to accept even more painful sacrifices. But let's remember that there just is not much fat for them to cut away. The knife doesn't have to go far before it hits bone. We must keep in mind, for example, that the gross national product of our European allies, divided on a per capita basis, comes to only \$597 per annum as compared with \$2,143 in the United States. Nothing whatever will be gained, either for our own security or that of other free nations, if Western Europe avoids military disaster only at the cost of economic disaster. If the inflationary trend I have already mentioned gets out of hand, the entire defense program will go up in smoke. Moreover, an economic breakdown would simultaneously pave the way for the ever-alert Communists to take over free Europe without firing a shot.

The Communists derive a unique advantage from their ability to apply strong military pressure and strong politico-economic pressure simultaneously. In the same way, the ability of the Soviet Union to concentrate on building its military machine in total disregard of human values also provides them an immediate advantage. There can be no doubt that if Western Europe were organized into a gigantic slave state, on the Hitler or Stalin model, the speed with which military instruments are created could be increased. In fact, I am sure this is exactly what would happen if the Russians took over Western Europe. But neither our own people nor the people of Western Europe would ever consider any such alternative. There is little profit in becoming slaves in order to defend ourselves against slavery. And we are convinced that the imagination, skill, and moral determination of free peoples will always, in the long run, offset whatever temporary advantages a slave society may possess.

In concluding this review of the current situation in Western Europe, I would like to take note of the political differences which occasionally arise between the United States and its allies. We all know that differences between free nations are inevitable, but we should be careful not to exaggerate their significance. And we should never forget that the things we have in common with Western Europe are much more important than the things in which we differ. It is useful for us to remember always that the basic issue dividing the world today is not a struggle between the American way of life and the Soviet way of life. Instead, it is a struggle between the Soviet way of life and every other way of life that freemen have ever known. We are not seeking to remake the remainder of the free world in the

image of America, but are seeking to prevent its being pounded into a new and horrible shape on the anvil of Communist tyranny.

Let me turn now to the proposed aid program for Europe and consider how it fits into the picture I have presented. As you know, we are proposing an aggregate of \$5,293,000,000 for military assistance to free Europe during fiscal year 1952. Most of this money will be used to provide what we call military end items—tanks, guns, planes, ammunition, and so forth—to the NATO countries, although a small part of the sum will be used for military training and technical assistance. We are also proposing \$1,675,000,000 in economic assistance to 14 countries. These include eight NATO countries, Belgium, Denmark, France, Iceland, Italy, Luxemburg, the Netherlands and Norway, and six non-NATO countries, Austria, Greece, Trieste, Turkey, Western Germany, and Yugoslavia.

While proposed assistance has been separated into "military" and "economic" components, there is actually no such sharp distinction between these two parts of the program. Military aid and economic aid are closely interlocked, and both are directed toward the same basic objectives. A strong defense must rest on a balanced and stable economy. Taken as a whole, the program may be expected to yield these major results:

The military-aid program will directly provide our NATO allies with the military instruments which are essential to the effective build-up of their armed forces, and which they themselves cannot produce rapidly enough to build an effective shield against the military might of a Soviet dictatorship whose threat is immediate and constant.

The proposed economic aid to our NATO partners will serve as the hard core of an expanded European program of military production, permitting our allies to move forward with a total defense effort far out of proportion to the amount of aid received. At the same time, the aid program will make it possible for this European rearmament effort to be carried out without destroying the economic foundations on which it depends. Expanded armament output requires imports of machine tools and raw materials. Expanded defense budgets create further inflationary pressures which cannot be held in check without imports of essential goods. The proposed economic aid will help finance the necessary purchases from the dollar area.

The assistance proposed for the European countries outside NATO—Austria, Greece, Turkey, Trieste, Western Germany, and Yugoslavia—is designed to meet somewhat different needs in each country, which we can discuss in more detail later. In general, however, all this assistance will help to strengthen these important strategic areas against Communist political and military aggression and will contribute both directly and indirectly to the security of the entire free world.

The aid program as a whole, in addition to its direct contribution to military strength, will give additional impetus to the rising determination and confidence among the European peoples. A nation's will to resist is closely related to its capacity to resist. It is hard for a man to work at anything if he feels that he doesn't have even a fighting chance to succeed. But once he is given this fighting chance, once he knows that his task is not hopeless, he has a real incentive to reduce still further the odds against him. As western Europe's defenses become stronger, so will the people's determination to assure successful defense. To many Europeans, the idea of victory has little meaning

if it comes after occupation and annihilation. But when they realize that Europe can be successfully defended in the first instance—that their homes need not be overrun and their families broken up—I believe they will do everything possible to insure that it is defended. And I am also convinced that the knowledge that both the United States and the European nations are firmly committed to the initial defense of Western Europe, and not just to its ultimate liberation, will do more than anything else to discourage the Russians from undertaking a suicidal military gamble.

In discussing the political situation in Europe, it has been necessary to deal to some extent with intangibles. There is no statistical formula by which a given number of guns may be converted into a measurable quantity of political stability, or individual income into a precise level of popular morale. But these intangibles are nevertheless real and important. Faith and courage are as important to an army as guns and ammunition, and the beliefs and hopes of a people are as essential to their survival as meat and bread.

For years, the Soviet Union has regarded the political and social ideals and institutions of the free world as its No. 1 target. For the Soviet dictators know that the long-term struggle confronting the world is a battle for the minds of men. They know that freedom is not an abstraction. They regard the existence of a free society anywhere on earth as a constant threat to the slave system which they are trying to maintain and propagate. They realize that no tyranny can ever be secure so long as the people bound under its yoke can still catch glimpses of the light of freedom in other lands.

To me, the aid program now being presented to the Congress represents a very sound investment. It is an investment in military power which is of direct and immediate concern to the safety of the United States. It is an investment in economic health which is both vital to the immediate defense effort and essential to the long-run security and prosperity of the entire free world. And last but not least, it is an investment in a way of life and a common civilization that has brought mankind more progress and happiness than any other the world has ever known.

Chairman RICHARDS. Thank you, Mr. Secretary. We will now proceed under the 5-minute questioning rule. I have one or two questions.

Will you please turn back to page 6 of your statement, the second paragraph down from the top? Would you break down that figure of \$5,293,000,000 for us?

Mr. PERKINS. In which way would you like it broken down?

Chairman RICHARDS. I would like to know about the end items, the military assistance and technical assistance. That is what you mentioned as coming under that.

Mr. PERKINS. I think perhaps I could refer that to General Scott. I have the breakdown by countries on that. General Scott, do you have the breakdown?

General SCOTT. By countries?

Mr. PERKINS. No; the chairman would like the breakdown between end items, technical assistance, and military assistance.

Chairman RICHARDS. That is, over all.

General SCOTT. Five and a quarter billion for military assistance, which is broken down as follows—

Chairman RICHARDS. We can get that later. You are talking about regions, is that right?

General SCOTT. I can give it to you any way you want it.

Chairman RICHARDS. How much did you say the military items were for the whole thing?

General SCOTT. Five and a quarter billion for military.

(Discussion off the record.)

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. Are we going to run through to get economic and point 4?

Chairman RICHARDS. We can. General Scott, of course, will testify more definitely about regions in regard to the military. If you want to go into this other question, go ahead.

Mr. VORYS. No questions.

Chairman RICHARDS. Mr. Gordon.

Mr. GORDON. No questions at this time.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. No questions.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. No questions.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. I will pass.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. I am concerned that this is another statement with a lot of generalities, more or less in different words, but similar to what we have heard so far.

I would assume that in executive session, and Mr. Perkins being in charge of a most vital area of the world, one of the most vital, we would hear a little different angle of what is going on there in Yugoslavia, what pressure is on Yugoslavia at the present time, also the questions of Turkey and Greece. I believe that comes within Mr. Perkins' jurisdiction.

I have no special questions to ask. I would like my 5 minutes taken up by a little more specific explanation from Mr. Perkins. That is all.

Chairman RICHARDS. Mr. Perkins, can you answer his question?

Mr. PERKINS. Might I say this was prepared for the public record.

Mr. RIBICOFF. We are having three sessions a day. I apologize, Mr. Chairman, if I am intruding here. But my feeling is that I have nothing to learn from a statement like this, which is full of generalities. We have heard a lot of it.

We had better start getting more facts if we are to get out a good bill that means something.

Mr. FULTON. May I add my 5 minutes, because my questions were going to be on Yugoslavia. I would like to hear what they are doing, and I think that should be public.

Mr. ROOSEVELT. This is an executive session?

Chairman RICHARDS. This is executive session. But as I stated awhile ago, most of it will be screened for inclusion in the open record, except very strict security matters.

Mrs. BOLTON. I wonder if you would announce what you said in the beginning before these gentlemen came in, about the nature of the hearing.

Chairman RICHARDS. I announced that both the Chair and the witnesses are as anxious to put as much of this testimony in the record as they can. This is a mild form of executive session, because we want to get as much of it in the record as possible. The witnesses have agreed to put most of it in the record for the benefit of the committee itself. So we remain in executive session.

I do not believe you were here, Mr. Roosevelt, when that statement was made.

Mr. Ribicoff, Mr. Secretary, has raised the question of Yugoslavia. Maybe you could tell us a little something more definite about that.

Mr. PERKINS. I would be glad to. As you remember, last winter we came before the Congress and asked for \$70,000,000 for the Yugoslav emergency relief assistance. That was granted. That money has been spent. The food has arrived in Yugoslavia and has carried Yugoslavia through this drought period.

Their crop situation at the present is favorable. The only difficulty they have had so far this year has come from floods rather than from drought. That may to some extent impede their ability to export foods from this current crop. But it certainly is not serious enough to in any way impair their ability to feed themselves. So that part of the Yugoslav situation seems to be getting in order.

You will also remember that this spring, because of the raw material shortage in Yugoslavia, we used 29 million dollars of military assistance to supply raw materials which could be used in support of their military organization to help out their raw material situation.

That money has been either all spent or committed, and most of the goods are on the way, although some will not arrive for a few weeks yet.

Despite those two acts, which accomplished their purpose I believe, Yugoslavia is still in a difficult situation. As I explained here before, their balance of payments situation is critical. And until they can build up their investments in Yugoslavia to produce more of the things that they themselves need without imports, and to produce additional exports, they will have a balance of payments problem.

We have been working with the British and the French on that problem. We have worked out an understanding with the British and the French that they will participate in making up that balance of payments deficit. With them we are approaching other countries to obtain their participation also. Our share of this aid program for fiscal 1952 is now planned at approximately 60 million dollars, which is included in this estimate which is before you. It is impossible to provide final figures until the negotiations with the smaller countries are completed.

(Discussion off the record.)

Mr. PERKINS. We are pleased that the British and the French have been willing to come forward and take that part of the burden. We think it is an encouraging sign.

Mr. JUDD. Do they provide that in dollars or in their own currency?

Mr. PERKINS. Presumably in their own currency. Goods they can acquire in their own currency or available from their own production.

Chairman RICHARDS. Your time has expired, Mr. Ribicoff, but Mr. Fulton has suggested that his 5 minutes be taken on the same subject. Will you continue on the same subject, Mr. Perkins?

(Discussion off the record.)

Chairman RICHARDS. Does the gentleman yield to Dr. Judd out of his time?

Mr. FULTON. It happens to be my time.

Chairman RICHARDS. But he has control of it. You gave Mr. Ribicoff his time.

Mr. FULTON. I said to add my own to Yugoslavia.

Chairman RICHARDS. That is out of order, under those circumstances. Mr. Ribicoff, your time has expired. Mr. Merrow.

Mr. MERROW. Mr. Perkins, on page 3 of your statement you have referred to the growing cooperation among the free European nations and have cited the OEEC, the Council of Europe, the European Payments Union, and the Schuman plan as evidence of this fact in the political, economic, and military fields.

Is this cooperation as great as we have reasonable right to expect?

Mr. PERKINS. That is a difficult question to answer. It certainly has not been as great as we have hoped for. I think, on the other hand, that perhaps it is fair to say that it has been as great as we had any reason to expect.

The problems of integration are very great. When you suggest to sovereign states that they give up part of their sovereignty, you get into serious complications.

I think given that fact, what the Europeans have done, particularly the initiative which they themselves took on the Schuman plan, has been very encouraging.

It is too early yet to talk very much about how far the European army may get. But their again their initiative in suggesting that a European army be formed, which in substance would give up one of the most critical points in national sovereignty, I think shows they are ready and willing to go quite a long way in integration.

Mr. MERROW. Is it correct to state that until there is a much greater degree of integration, economically and politically, it will be necessary for us to continue assistance to Western Europe?

Mr. PERKINS. I am sure that a greater degree of integration would strengthen Europe economically. I do not think it is correct to say that we will have to continue that assistance until that integration has been achieved.

Mr. MERROW. But the greater the integration the smaller the need will be for our assistance, is that right?

Mr. PERKINS. You get into a time factor there. And I am not sure that the integration economically can come fast enough to make a very marked effect on our assistance.

You have economic problems in Europe which simply take time. I was talking with a foreign minister as to the problems in his country with a neighboring country.

He said that if the tariff barriers were taken down between those two countries, 50 percent of the labor force in his country would be unemployed immediately.

They have to take and they are taking steps to improve their costs and their productivity, so they can take those tariff barriers down.

Until something is done along those lines, which is a time-consuming process, it is not feasible to take down those barriers.

Mr. MERROW. What would you say they are to do in the immediate future to accelerate integration?

Mr. PERKINS. I think the lines along which they are working are the ones along which they should work, and we should endeavor to help them, particularly on the side of economic integration, which from the point of view of over-all economic strength and their individual ability to defend themselves, is the most important.

Mr. MERROW. It seems to me if they have not advanced as rapidly as we had hoped for that perhaps there is something lacking here.

I have heard many people say, "Well, they have not integrated as rapidly as we hoped they would." What is the basis for hoping that they could integrate more rapidly?

Mr. PERKINS. I do not think you always have a basis for a hope. I think that is perhaps the difficulty with that, and that we in our enthusiasm have perhaps hoped for more than, as I think I indicated, was reasonable to expect.

Chairman RICHARDS. The gentleman's time has expired. Mr. Hays.

Mr. HAYS. Mr. Perkins, when General Eisenhower was here he spoke of Germany as being in a separate category, that he could not move on military programs until certain policy matters were determined.

Now Germany is included in the economic plans?

Mr. PERKINS. Yes.

Mr. HAYS. You refer to that on page 8. That program of economic aid in Western Germany at least is something of an exception to this general assertion that we have been making, that economic and military aid is tied up together, is it not? How can we be entirely consistent on that point?

Mr. PERKINS. The strength of Germany depends on further economic assistance. Germany is not yet in a position where it can build up its own armed forces. When it is in that position, the economic strength of the country will be very important to that effort. So this is a preliminary, if you will, as the European program was to the ability of Europe to build up its forces.

Mr. HAYS. I am not questioning the fact that aid is justified in the light of that hope. Of course, you can understand how we have certain reservations just as, I am sure, General Eisenhower had about Germany's future.

I do not want to take too much time on that. But what is your feeling about the German people's attitude? Are they going to be more reasonable about their own plans, militarily, in the light of the great exposure themselves? It seems to me their official attitude has been disappointing. What is your feeling about it?

Mr. PERKINS. I think that is a question which you could more properly ask Colonel Byroade, who heads our German office.

I might give you a very brief and somewhat general answer. The Germans find themselves next to the Russian-dominated countries. They are in the most exposed position. They are therefore concerned that before they start to rearm that there should be some reasonable prospect. It is the same thing I indicated in my general remarks, that the defense will be successful. There is no point of getting into a defense that will be unsuccessful. That is one of the things that concerns them. I think the actions that have taken place in the last 6 or 8 months have gone a long way to dispel that fear that they have.

They have another feeling which I think is fairly generally held in Germany, which is that they do not themselves want to have a na-

tional army. They would much prefer if they are to rearm to be part of some larger military concept than merely a German concept.

Mr. HAYS. You find that feeling is pretty general?

Mr. PERKINS. That is reasonably general, as I understand it. To that extent they are on the same side of the argument that the French are on.

Mr. HAYS. It poses a very difficult problem. In other words, it is in a class by itself; is it not?

Mr. PERKINS. That is quite right.

Mr. HAYS. You mentioned the eight NATO countries. There are four others, are there not? I am just trying to get my own thinking clear on that. We are giving no aid at all to the United Kingdom in this \$1,675,000,000?

Mr. PERKINS. That is right.

Mr. HAYS. There are 12 NATO countries, are there not?

Mr. PERKINS. Portugal, I think, is the only other NATO country—

Mr. HAYS. Portugal, the United Kingdom, Canada and ourselves make up the 12?

Mr. PERKINS. Yes.

Mr. HAYS. So that really in Western Europe the UK and Portugal are the only ones in NATO that do not share economic aid. You have not discussed Spain. Is there anything you want to add in the light of more recent developments and the conversations that have been held on that?

Mr. PERKINS. I think you are referring to the military side of the thing in Spain. As you know, we believe that Spain can be of assistance in the defense of Western Europe.

It becomes a very complicated problem because of the feeling of so many Europeans, which is shared also by a fair number of people in the United States, that we should not try to take Franco into our family.

However, we felt that despite that there were certain minimum arrangements we should attempt to make with Spain. As was indicated in the paper this morning, they constituted largely the right to use facilities in Spain.

(Discussion off the record.)

Mr. PERKINS. That is in general what we are thinking about discussing with Mr. Franco at the present time.

Chairman RICHARDS. The gentleman's time has expired. Dr. Judd.

Mr. JUDD. Since I have used 1 minute of the time of the gentleman from Pennsylvania, I will yield 4 minutes of my time to him.

I would like to pursue that which I was not able to finish earlier. Is there objection to putting into the record what other countries are providing?

(Discussion off the record.)

Mr. PERKINS. May we consider that and see what kind of a statement we can put in the record?

(The information referred to is as follows:)

U.K. and French Contributions to Yugoslav Aid Program

Great Britain and France are going to provide a substantial share of the assistance to Yugoslavia under the recently negotiated tripartite program. We also hope other countries will make some contributions. Of the amount which the three Governments are to provide—and this amount is not fixed because we don't

know exactly how the situation will develop during the year in regard to Yugoslavia's trade and debt payment situation—the British and French together will put up slightly over one-half of what we put up. This is a significant factor in reducing the potential burden on the United States. It also provides a concrete proof of the common interest of the western nations in Yugoslavia's continued independence.

Mr. JUDD. The more we can show they are doing the better off we are in presenting the case before Congress; is that right?

Mr. PERKINS. Right.

Mr. JUDD. Thank you.

Chairman RICHARDS. Mr. Roosevelt.

(Discussion off the record.)

Mr. ROOSEVELT. The next question is, Do you feel that the program voted by Congress by the loan formula last year is the most effective way to extend Uncle Sam's dollars, or do you feel with Mr. Hoffman, who did not express any political attitude but simply an economic attitude, that he considered the loan formula to be a very good one, and that we would have gotten more for our dollars, the 62½ million, if we had used the ECA formula?

Do you think we should consider bringing Spain into the ECA set-up, or under unilateral administration by ECA, or the successor thereto, or should we set up a separate ECA for Spain?

Mr. PERKINS. Let me answer part of that question and then refer the other part of it, if I may, to Mr. Porter. On the question of bringing Spain into ECA, you would simply agitate the feeling in Europe toward Spain, and would make it more difficult for us to do what we think is desirable to do on the military side of the situation.

I think from that point of view we should avoid that particular action now and in the immediate future, certainly.

I think Mr. Porter can perhaps answer better on the question of loans versus grant aid.

(Discussion off the record.)

Mr. VORYS. Will the gentleman yield?

Chairman RICHARDS. The gentleman's time has expired. I think you have a half minute. Of course, we want Mr. Porter, when he testifies, to go deeper into that.

Mr. ROOSEVELT. I have a great deal more to talk about on this subject. I will be glad to yield my half minute to you, Mr. Vorys.

Mr. VORYS. You say we have had no economic ECA mission in Spain. Why is that? Is it not because although the law directed ECA to make the loans, ECA turned it over entirely to the Export-Import Bank?

Mr. PORTER. The law gave us the responsibility.

Mr. VORYS. Did Spain prevent you from having an ECA mission there?

Mr. PORTER. Nor have they proposed that we have one.

Mr. VORYS. The law proposed that you have one.

Mr. PORTER. That is not my understanding, Mr. Vorys.

Chairman RICHARDS. The gentleman's time has expired. Mr. Fulton.

Mr. FULTON. The questions that have been previously raised and which should be touched on in detail, I should like to outline shortly so we can get some statement later for the record.

For example, first, the church prisoners. What has been done since my amendment of last year directed toward releasing the church

prisoners and toward freedom of religion that I had tried to put in as a condition of granting aid?

Secondly, how about political prisoners? And how much of a release was there last December when it was announced they had almost an amnesty?

I would like to know the provisions of that amnesty.

Thirdly, what about the return of the Greek war orphans? What number are not returned, if there are any not returned? Also, I raise the question if there are any in the country that are hidden and there is no opportunity given to the Greeks to find out where they might be.

Next, in regard to the Trieste question. What progress is being made toward the settlement of that problem?

What about the Carinthian question? Is that being settled? Drew Pearson wrote a short time ago that there were certain areas of Yugoslavia where there was almost the equivalent of an armed opposition to this Government. What areas are they and what people do they have that refuse to accept the present Yugoslav Government?

In addition, in this country we have the problem of dual citizenship. The Yugoslav Government claims that the citizens of the United States are still citizens of Yugoslavia. That is also true of former Yugoslavs now in Argentina.

What is the progress on the Yugoslav Government giving exit visas and exit permits to those people wishing to emigrate? I understand there are a number of families who have always been for freedom in Yugoslavia and he will not permit those families to emigrate or to be reunited with relatives, husbands and wives, fathers and mothers now permanent residents and citizens abroad. If you want some names, I will give them to you. I certainly want those families reunited.

In addition to that there is the question of the treatment and repression of certain minorities and ethnic groups. I would like to hear about the current status of these groups in Yugoslavia.

In Greece, when we had to go in to make up the balance of payments deficit, we insisted upon representation in a policy committee in connection with the Bank of Greece operations. The British had done the same thing. I would like to know if we are doing the same in Yugoslavia and, if not, why not. Why are we not adopting the Greek formula? That was the chief complaint of this committee on China, that the administration did not adopt the successful formula in Greece in dealing with that government.

If we are making up the deficit of that nature and are making commitments, I think Congress should first be asked for the authority to participate in the fundamental financial decisions of the government.

And at least if the United States is going to spend its money, and insure any deficit that comes up, we should have some say as to the currency and financing level, at the level of the Bank of Yugoslavia.

I am interested in the various freedoms in the school systems, and in the cultural institutions. I would like to know what is the progress since we have given the aid last year towards permitting freedom of expression, and toward taking off the terrific slant of untruth and propaganda in the school system about the United States.

We are still being called imperialists by many of the Tito groups. And in addition are being told that we are part of the imperialist group that will finally have to be eliminated.

I would like to know definitely whether that has been changed.

Chairman RICHARDS. The gentleman's time is up. Mr. Secretary, he gave you a large order there. If you answered it you would tear the 5-minute rule all to pieces. Will you provide that for the record?

Mr. PERKINS. I have the answers to some of those questions, but on others I have not the most up-to-date information. I think if I provide it it will be better.

Chairman RICHARDS. It will be provided for the record?

Mr. PERKINS. Yes.

(The material referred to is as follows:)

FREEDOM OF RELIGION

The United States Government has continued to make known to the Yugoslav authorities its attitude toward impairment of religious freedom in Yugoslavia and to press for improvement in this connection. There has been no basic change with regard to the situation regarding church members who are imprisoned or toward freedom of religion. There have been a number of instances on non-fundamental issues of efforts on the part of the Yugoslav Government to be more conciliatory in its relations with the churches. The Roman Catholic Bishop Peter Cule of Mostar and the Serbian Orthodox Bishop Varnava Nastic of Sarajevo have been released from imprisonment prior to the expiration of their sentences although neither has been permitted to resume his former ecclesiastical duties. On June 2 the Yugoslav Government informed the Holy See through the Papal representative at Belgrade that it was prepared to release Archbishop Aloysius Stepinac of Zagreb from imprisonment provided that he leave the country. The Holy See replied on July 2 that, as the Archbishop prefers to remain near the members of his archdiocese it does not intend to impose a removal from Yugoslavia as a means for securing his release. State controls at the parish level continue relaxed so that attendance at religious services remains free and unimpeded.

AMNESTY FOR PRISONERS

The Yugoslav press announced at the beginning of the year that approximately 11,700 prisoners were being released prior to the expiration of their sentences, on the basis of amnesty decrees of the Federal and regional governments of Yugoslavia. It appears that most of the persons involved had been sentenced for failing to meet their compulsory food-delivery quotas, for sheltering fugitives, and for minor criminal offenses. It does not appear that the texts of these amnesty decrees have been published.

RETURN OF GREEK CHILDREN FROM YUGOSLAVIA

The progress already made with regard to returning to Greece the children who were removed from their homes during the period of guerrilla warfare may go a considerable distance toward clarifying and resolving this problem.

On November 25, 1950, 21 children were returned to Greece, a second group of 54 children was repatriated on March 14, 1951, and a third group of 214 children was returned on May 27, 1951. In addition, about 100 children have left Yugoslavia to join their parents who have emigrated to Australia. Through the assistance of a mission from the Swedish Red Cross, which at the invitation of the Yugoslav and Greek Red Cross Societies has interceded in this matter on behalf of the International Red Cross, it is expected that in the next few months approximately 400 additional children will be returned. The Swedish Red Cross mission visited Yugoslavia and Greece in the spring. While in Yugoslavia the mission inspected Yugoslav camps in which Greek children reside to identify, and to prepare and check lists of, those to be repatriated. The activities of the Swedish mission have been directed toward the return of children to parents in Greece who have homes in which to receive them and who request their return.

It now appears that of an approximate 10,000 children who formerly lived in Greece but are now in Yugoslavia, the great majority are living with their parents who are part of an estimated 30,000 persons, principally members of the Slav Macedonian minority from northern Greece, choosing to remain in Yugoslavia after the collapse of the guerrilla war in Greece. Of the remainder totaling about 1,500, many of whom are also ethnically Slavs, some are orphans or cannot be identified while others are children of parents now residing in Communist countries; several hundred are considered likely to be eligible for repatriation.

TRIESTE

There is no fundamental change in the situation with respect to the Free Territory of Trieste. It is obvious that both Italy and Yugoslavia, the two nations most directly concerned, would benefit if a bilateral settlement could be worked out between them, since only the Soviets and their allies profit by the present tension over Trieste. However, long-standing territorial questions are notoriously difficult to solve, and this is one on which strong popular sentiments are involved on both sides. It is apparent from information reaching this Government that a propitious moment has not yet arrived for achieving a workable solution of this problem.

THE CARIANTHIAN QUESTION

Following World War II, the Yugoslav Government advanced a territorial claim against Austria involving a sizable portion of the province of Carinthia and a smaller portion of the Province of Styria. This claim was considered in the Council of Foreign Ministers in 1947, 1948, and 1949 during negotiation of the as yet uncompleted Austrian Treaty. In the course of these deliberations the claim was modified on several occasions by the Yugoslav Government. It was rejected from the start as unjustified by the United States, British, and French delegations at these treaty conferences, and ultimately in June 1949 it was rejected by the Soviet delegation as well, following the break in June 1948 between Yugoslavia and the Cominform. Thus the frontier issue no longer is one of the obstacles holding up conclusion of the Austrian settlement. In the interval since 1949 the Yugoslav Government has ceased to press the territorial or reparation claim it had advanced against Austria during 1945-49, and there has been a steady improvement in Austro-Yugoslav relations. In addition to virtual solution of the issue of Austrian nationals held in Yugoslavia as prisoners of war following the conclusion of hostilities, the Austro-Yugoslav frontier has been reopened, and trade and normal diplomatic relations between the two countries have been resumed.

EXIT PERMITS FOR UNITED STATES CITIZENS AND THEIR RELATIVES

In November 1950 the American Embassy at Belgrade gave to the Yugoslav Government a list of about 300 persons having close ties in the United States, who were regarded by this country as American citizens but by Yugoslavia as its nationals. The Yugoslav Government agreed to consider this list favorably. These persons appearing in the list had been trying for a number of years to leave Yugoslavia. Between November 1, 1950, and mid-July 1951 about 250 of these dual nationals and 30 of their non-American relatives left Yugoslavia for the United States. Approximately 30 others whose names were included among the 300 persons discussed with the Yugoslav authorities in November have since indicated to the American consular officers in Yugoslavia that they do not wish to travel to the United States at this time. The applications for exit visas of the remainder are still under review.

In April 1951 the American Embassy submitted to the Yugoslav Government a second list of dual nationals in Yugoslavia desiring to come to the United States but without close ties in this country. As yet only a few of the persons included in this list have been issued exit visas.

The Embassy at Belgrade is reviewing the remaining cases of persons in Yugoslavia claiming American citizenship, with a view to adding their names, if their citizenship is established, to either the list submitted last November of persons with close ties in this country or to the second list submitted in April of persons without such ties. Attention is also being given to facilitating the departure from Yugoslavia of non-American relatives of United States citizens, where it is possible to document these persons for entry into this country. While progress in this regard has been slow, there are indications that the Yugoslav Government is showing increasing awareness of the humanitarian principles involved in permitting families to be reunited.

MINORITY GROUPS IN YUGOSLAVIA

In addition to the major Yugoslav ethnic groups (Serbs, Croats, Slovenes, and Macedonians) who together form approximately 85 percent of the total population, there are a number of minority groups. These groups have lived in the same areas for generations and are well intermingled with the other people around them,

although the largest ethnic minority group, the Albanians, which numbers about 750,000 persons, is also the most compact. Other groups are the Hungarians (500,000), Rumanians and Vlachs (165,000), Czechs and Slovaks (125,000), Italians (80,000), Bulgarians (60,000), Germans (55,000), Ukrainians (35,000), and Russians (20,000). In 1951 the Germans (Volksdeutsche) formed the largest minority but most fled or were expelled during or following World War II. Most of the 10,000-15,000 Jews who survived the war have emigrated to Israel; less than 7,000 remain.

While the present regime manifests considerable concern for the welfare of its minority groups and has accorded some of them a status which they did not previously enjoy, there has been considerable emigration from among particular groups principally the White Russians and Italians, in addition to that by the Jews. After World War I a sizable number of refugees from Russia settled in Yugoslavia, many of whom became Yugoslav nationals. Some collaborated with the Germans during World War II. Following the war the present Government revoked the Yugoslav citizenship of all persons of Russian origin. Some who took Soviet citizenship chose to return to the Soviet Union but most either fled to the west or continued a precarious existence in Yugoslavia. As the result partly of pressures placed upon them after the Yugoslav-Cominform break by the Yugoslav authorities, concerned over the security aspects of the problem, over 2,000 left for the United States-British zone of the Free Territory of Trieste during 1950, and the movement has continued during 1951.

As a consequence of the boundary changes between Italy and Yugoslavia following World War II, the size of the Italian minority was considerably increased. Many Italians moved to Italy from these areas rather than remain under Yugoslav rule. The status of those who remained has been a subject for Italian-Yugoslav negotiation and has been a source of great concern to the Italian authorities, particularly as regards Italians in the Yugoslav zone of the Free Territory of Trieste. Many of the Germans who remained in Yugoslavia after the war are now going to Germany on the basis of arrangements made with the German Federal Government.

CONTROL OVER YUGOSLAV FINANCES

In working out the proposed plan of assistance to Yugoslavia the United States, British, and French Governments have all shown awareness of the need to have such controls as were necessary to make the aid effective. The question is what methods are possible and the most practicable as a means of attaining the desired end. In the administration of the recent food-aid program and of the current raw-materials program we have had the full cooperation of the Yugoslav authorities in regard to the use of the funds granted and the distribution of the commodities sent. They have shown themselves willing to take American advice on financial and other matters. Furthermore, under the existing bilateral agreements covering food and raw materials assistance and under the proposed legislation, provision is made for counterpart funds in Yugoslav currency which can be spent only as agreed between the United States and Yugoslav Governments.

FREEDOM OF EXPRESSION AND ACADEMIC FREEDOM

While the present Yugoslav Government continues to countenance no organized opposition to established governmental policies, and remains a dictatorial regime, there has been a noticeable increase in the readiness of Yugoslav citizens to speak their minds on many issues. The campaign of vilification of the United States, which was pressed so actively only a few years ago, has completely abated, and the great reservoir of good will toward this country which has long existed among the Yugoslav people is now given expression by the official organs of the Government.

The school system of Yugoslavia continues to imbued with a Marxist approach and a considerable portion of the curriculum continues to be devoted to political indoctrination; however, it appears that this country is portrayed in a much more objective manner than was formerly the case. The former school textbooks which glorified the Soviet Union have been discarded, and in many schools the teaching of Russian has been replaced by the teaching of other languages, especially English. The Yugoslav universities and learned societies have shown great interest in American publications, a need which the Department of State is endeavoring to help meet through the information library of the Embassy at Belgrade.

YUGOSLAV VIEWS REGARDING IMPERIALISM

The Yugoslav Government appears to have changed considerably its views of the United States and the role it plays in international affairs today. While the Yugoslav press and authorities formerly followed closely the propaganda line taken by the Soviet Union, after the break with the Cominform and particularly during the last year they have demonstrated a much more objective approach with regard to such matters. They recognize frankly that the imperialistic threats to the peace of the world today do not come from this country, as alleged by the Soviet bloc, but from the Soviet Union itself. They are willing to cooperate with the United States and other free nations in support of the United Nations Charter against Soviet imperialism. This does not mean that the present Yugoslav regime has abandoned the classic Marxist-Leninist dogmas concerning "capitalist imperialism," that it is at no time critical of this country, or that it has been prepared on all occasions to associate itself with the United States; however, it does mean that the United States is no longer depicted as an imperialistic force in world affairs.

OPPOSITION TO THE YUGOSLAV GOVERNMENT

Since Yugoslavia does not have a democratic political system, it is difficult to measure the degree of opposition to the Government. However, there is no significant armed opposition presently existing in this or that area, either on the part of Cominformists or on the part of anti-Communist opponents of the regime. According to our best information, the Government's authority extends throughout the country. Moreover, on the issue of defending Yugoslavia's national independence, the Government's position has widespread popular support.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. Mr. Chairman, I would like to ask the Secretary what he would think of including Spain under the same title as Yugoslavia.

Mr. PERKINS. I am not quite sure I understand what you mean.

Mr. MANSFIELD. What is your reaction to the possibility of including Spain under the same title in this bill as Yugoslavia? I asked that question because fundamentally the reasons why we would be considering aid to both countries would be the same.

Mr. PERKINS. What part of the act would that be?

Mr. MANSFIELD. There has been no bill introduced that I know of. I understand that Yugoslavia is treated in a separate title under the proposed bill or the bill which will be proposed.

It appears to me that on the basis of the defensive possibilities in both areas, that they might well be considered together.

Mr. PERKINS. I am not clear that that is what was proposed for the act. I think a year ago we all considered that Yugoslavia and Spain came in the same category as a practical matter in connection with the act.

Mr. MANSFIELD. Then I would assume that the answer would be yes, because as I understand it, what we are considering for Yugoslavia this year is not a continuation of famine relief, but the possibility of strengthening Yugoslavia for defense against the satellite countries on its borders.

It would appear to me that on the basis of testimony which this committee heard in Europe, and on the basis of Admiral Sherman's visit this week, that the same consideration should be given to Spain in that respect.

Mr. PERKINS. I think we can well consider that. There is one basic difference, which is that we know what the Yugoslav requirements are and we do not know what the Spanish requirements are.

But, from the point of view of principle, I think it is something we could well consider as to whether the language of the act should not cover and would be broad enough, as I believe it is, to cover both.

Mr. MANSFIELD. Thank you, Mr. Perkins. That is all.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Perkins, we are glad to have you with us again. It is a special pleasure for me.

I would like to ask you whether or not it is a fact that such aid as we give Yugoslavia or Spain, or both, is not straight economic warfare against the Communists?

Mr. PERKINS. I think that is correct.

Mr. JAVITS. And, if so, is it not a fact that each must stand on its own bottom? It may be very desirable to give aid to Yugoslavia because of the tactical or strategic situation, that is, with regard to Communists and our own alliances, and extremely unwise to give aid to Spain.

Mr. PERKINS. Well, certainly each case ought to stand on its own feet. There is no question about that.

Mr. JAVITS. I would like to go further than that. It ought to stand on its own feet because it is economic warfare and there is no question of principle. You do it where it does you good. Is that the way you feel about it in the State Department?

Mr. PERKINS. That is correct.

Mr. JAVITS. Will we do anything or do nothing to indicate, if we do give aid to Spain, that we are thereby undertaking to support the Franco government?

Mr. PERKINS. We have not reached that point in our thinking about the thing as yet.

(Discussion off the record.)

(The following was submitted for the record:)

Question. Are there any GARIOA funds available for Germany from prior or proposed appropriations?

Answer. No. GARIOA funds were last appropriated for the fiscal year 1950. There are no funds appropriated by Congress which are available at the present time from any past GARIOA appropriation.

1. GARIOA stands for "Government and Relief in Occupied Areas." Appropriation requests have been sought by the Army from the Congress for occupied areas under the administration of the Army since 1946. For the fiscal years 1947, 1948, 1949, and 1950 appropriations for Germany were included within the GARIOA appropriation. These appropriations were available for the following purposes:

- (a) Economic assistance to Germany;
- (b) Supporting the public affairs program in Germany;
- (c) Supporting U. S. administrative costs in Germany.

Fiscal year 1950 was the last year for which GARIOA funds were appropriated for Germany. GARIOA funds for Germany, as such, have therefore not been appropriated in fiscal year 1951 and are not being requested for fiscal year 1952. There are no GARIOA funds appropriated by the Congress available at the present time from any past appropriations.

2. In fiscal years 1949 and 1950 economic assistance to Germany was financed by two separate appropriations. Funds for economic aid to Germany were included in the Army GARIOA appropriation on the one hand and in the ECA appropriation on the other. In September 1949, the Federal Government of Germany was established and, at the same time, military government was abolished and the Allied High Commission was created. The former United States element, Office of Military Government for Germany (U. S.)—OMGUS—under the Department of the Army, was replaced by the Office of the High Commissioner for Germany—HICOG—under the Department of State. In accordance with the terms of the fiscal year 1950 GARIOA appropriation act, funds appropriated by the Congress under the GARIOA Act were transferred to the

Department of State and to the ECA. The Department took over the funds for administration and for public affairs, and ECA took over responsibility for funds for economic assistance to Germany. For the fiscal year 1951, the Department of State requested funds from the Congress for the public affairs program in Germany and for administrative expenses in an appropriation known as GOAG (Government in Occupied Areas of Germany). All the economic aid for Germany for the fiscal year 1951 was provided by the Foreign Economic Assistance Act of 1950. For fiscal year 1952 the Department of State has submitted a request for a GOAG appropriation to cover administrative costs and the public affairs program. All the economic aid for Germany is covered by the request contained in the Mutual Security Act. In other words, the split appropriation for economic aid to Germany which occurred in fiscal year 1949 and fiscal year 1950 has been abandoned since the end of military government in Germany. Since then all economic aid for Germany has been consolidated in the ECA appropriation act for fiscal year 1951 and in the current Mutual Security Act.

It should be noted that the special responsibilities which the United States has in Germany, which were supported by the GARIOA appropriation during Military Government, are recognized in section 114 (b) of the ECA Act of 1948, as amended. This authority has been continued in section 2 under title I of the Mutual Security Act. Under this authority, in periods of emergency, funds are available at the discretion of the President for the prevention of disease and unrest in occupied areas of Germany.

3. Economic assistance to Germany since fiscal year 1947 under the above programs has been provided in the following amounts:

Fiscal year	GARIOA	ECA	Total
1947.....	\$243,189,616		\$243,189,616
1948.....	551,766,147		551,766,147
1949.....	551,244,436	\$613,500,000	1,167,744,436
1950.....	366,284,938	281,726,000	651,010,938
1951.....		390,858,000	390,858,000

¹ 15-month period Apr. 45 to June 49.

² At the termination of Army administration \$187,167,000 was transferred to ECA to be allotted by ECA during second half of fiscal year 1950. Of this amount \$174,194,000 was expended as GARIOA assistance and is included in the above total. The remainder amounting to \$12,973,000 was removed from this GARIOA account for 1949-50 and transferred to ECA funds for 1950-51.

Source: GARIOA, Mr. Martino, Department of the Army; ECA, Mr. Fishkin, ECA.

Mr. JAVITS. Will you be prepared, or are you prepared to give us a country by country justification, economic and military, or economic alone—whatever you are responsible for—showing the allocation and showing in each case why each country is entitled to the money that you want to see it get?

Mr. PERKINS. Yes. We are prepared to present that information to you.

Mr. JAVITS. When will that be presented, and in what form?

Mr. PERKINS. It is my understanding—and I do not know if this is correct or not—that after we have gone over the four parts of the world and the four titles generally, then the country presentations will be made individually.

I do not know whether that is correct or not.

Chairman RICHARDS. I believe it is.

Mr. JAVITS. Can you give us any statement of principle upon which this program country by country allocation is proposed? In other words, if economic aid is proposed on a balance-of-payments basis, or if military aid is proposed on some other basis, are you responsible for that part of it so that you can state the principle upon which each of these programs has been made?

Mr. PERKINS. I think Mr. Porter would better state it for the economic part, and that General Scott or General Collins, when they are here, would do it on the military.

Mr. JAVITS. Mr. Perkins, I still have a half a minute or so, I think. Does Mr. Porter desire to state it now?

Mr. PORTER. That is what I expect to devote my remarks to later, Mr. Javits.

Chairman RICHARDS. You have a minute or two, but Mr. Porter is going into that very exhaustively. He is the next witness.

Mr. JAVITS. Certainly. If I do have a minute or two, Mr. Perkins, I would like to turn to page 4 of your statement, referring to the very top of the page, in which you say:

Most of these people realize that their standards of living would be lower still if the Soviet stooges should come to power.

Then you go on to say:

* * * it is not easy for people to resist the mirage of Communist promises.

I notice that the main point of your statement is taken up with the fact that the Communists are putting on a terrific drive in Europe for the purpose of winning Europe by intimidation.

Can you specify in executive session just how they are operating, and in what secret or open ways they are operating, more than we get just from the press? Do you people know any more than we get from the press about it, as to just what they are doing in order to intimidate Europe, or to delude or fool Europe in this way?

Mr. PERKINS. They are using, generally speaking, every known means of propaganda that I think anybody has ever thought of, and perhaps a few nobody previously had thought of, but if you want a full statement on that I think it would be preferable to supply that.

(The information requested is as follows:)

COMMUNIST TACTICS IN WESTERN EUROPE

The Communist Party—as the advance guard of Soviet expansionism—seeks to infiltrate every organ of authority or influence in the state. Those it cannot seduce to its purposes it seeks to destroy or immobilize by counter-organization. No group is too small or too remote to feel its hand—trade unions, educational groups, sports clubs, community social organizations, children's groups, women's clubs, professional associations of every type and purpose—all are targets of Communist infiltration and Communist maneuver.

In these drives the Communists operate not only on a basis of infiltration, but on that of intimidation as well. In the Italian trade-unions, for example, it would be a brave man who got up in a CGIL meeting to denounce Stalin and Stalinism, or to maintain that the propaganda of the Communists in the trade-unions was primarily to aid the foreign policy of the U. S. S. R. and only secondarily to aid the workers. Not only in the Communist-dominated CGIL is the threat of the beating ever present; in the opposition CSIL trade-union group there is always a long list of organizers, workers, and leaders beaten up in the past month by Communist goons.

The experience of anti-Stalinist Frenchmen is further evidence of the good squad intimidation methods of the party in Western Europe. When LeCorre broke with the Communist party and attempted to set up a Communist movement independent of Moscow control his first press conference was broken up by Communist hoodlums and he was himself beaten so severely as to require hospitalization. Today meetings of this group in France are harassed by criminal Communist elements as are similar gatherings of like-minded citizens in West Germany.

A type of intimidation less easy to expose is that of the whisperer who lets it be known that it would be wise not to attack communism and Communists lest the Red Army "take care" of the attacker when it "liberates" western Europe. Sometimes it is indicated the prospective victim will be "eliminated" by the local Communists, but often it is frankly stated that when Der Tag arrives he had better be on the good side of the Soviets. One aspect of this type of intimidation may be seen in the advertisements of reputable, obviously non-Communist firms

in Communist newspapers and magazines. While these types of intimidation are of little import in northern Europe, they have considerable effect in France and Italy, where communism has its strongest political parties, and in Germany, where fear of a Soviet attack against an undefended West German area is always present.

In addition, one of the recurrent features of the propaganda techniques employed by all Communist-controlled organizations is the attempt to induce a general reaction of fear and panic against the defensive policies of the non-Communist governments. There are, of course, numerous variations on this theme, but they are all intended to paralyze the popular will to resist Soviet aggression by incessant reminders of the horrors of war, the futility of resistance, and the human and economic sacrifices entailed by rearmament.

The World Federation of Trade Unions, to take one instance, has played the fear theme on every chord that might possibly find sympathetic response among workers. When our program of shipping arms aid was inaugurated last year under the mutual assistance provisions of the North Atlantic Pact, this Communist-controlled international trade union agency quickly brought into play its maritime trade department and its national maritime trade union affiliates in an effort to obstruct, or if possible, halt the unloading of United States arms shipments. In this anti-MDAP drive, the Communists in control of French and Italian dockers' unions found their rank and file members unwilling to follow them in what was obviously an out-and-out attempt to use these unions to promote political interests of the Communists and the foreign policy interests of the U. S. S. R. Communist propaganda therefore made increasing use of the fear device to supplement its other propaganda appeals. Thus, for example, we may glean something of the nature of this play on fear from an anti-MDAP leaflet distributed among the dockers of Naples in the spring of 1950 which barbed its appeal in the following words:

"Also you, ordinary man, woman, mother, father can do what the port workers of France and Italy have done. You can lend a hand to repel from our ports and our shores the curse and the death of foreign arms that hangs over us and our children. Woe to those among us who do not lift away the curse of foreign arms from the heads of our children * * * to remove from our ports the deathly mold of American ships with their cargoes of horror and death. From every port of Italy, babies mutilated in the other war, mothers who have seen their sons fall, peasants, workers, and intellectuals have written to the dock workers and the railway workers tens of thousands of letters and they have sent their delegations to the ports and to the rail centers. They said to the port workers and to the rail workers: 'We know of your hunger and your misery, we know of your unemployment. But don't let your hands touch these cargoes of destruction and of death, which will bring malediction on our homes. We know that your luck is bad, but we will all be at your side, the entire people will be at your side in solidarity, to support your secret resistance against the curse of foreign arms.' Already, in hundreds of factories, and in the pastures, the workers have pledged themselves to support not only morally but with material aid those port workers and those rail workers who are involved most directly in the struggle against the unloading of malediction and death."

Another sample of WFTU propaganda which seeks to implant this psychology of fear by emphasizing the hopelessness of effective resistance is afforded in the following passage in the official organ of that body published last January:

"The facts have demonstrated that moral superiority and the consciousness of a just cause are more important and stronger on the battlefield than supremacy in technical means. It follows from this that the American imperialists, who have powerful technical means at their disposal but who follow a reactionary policy cannot be successful in the military sphere * * *."

"The rulers of the United States have lost all sense of reality and are dragging the whole world into a new world war. American politicians are behaving like neurotics and anti-Communist maniacs and not like statesmen who are capable of solving coolly and thoughtfully problems on which the destiny of the world depends."

"Consequently, these maniacs are becoming isolated in the world: Truman's government is becoming isolated in its own country, the United States is becoming isolated from its allies and satellites and from the millions upon millions of working people of all countries."

The technique of intimidation is not confined, however, to popular sentiment against war. Communist trade-union propaganda is equally replete with warnings to workers that our ECA aid to Europe entails a steady decline in their standard

of living and the prospect of a future collapse of the economic system of Western Europe, and with it their chances of a steady livelihood. Characteristic of this political exploitation of the European workers' sense of economic insecurity is a statement by the leader of the Communist-controlled French General Confederation of Labor:

"* * * the facts tell all Frenchmen that the few hundred milliard francs given through the Marshall plan went into other wallets than the lean purses of the housewives, which grow thinner and thinner as the results of the Marshall plan (sic) become more and more evident.

"Everyone sees, everyone except for a few cosmopolitan capitalists, who always save their own bacon, that this plan of 'aid' for French economy has in fact led to the decay of our national economy."

But oblique threats of military defeat or warnings of economic collapse do not exhaust the Communist armory of fear propaganda. Hints and indirect themes of intimidation have also been supplemented by propaganda which seeks to inspire a psychology of outright terror at the prospect of the physical destruction of Western Europe and thus to undermine the willingness of the populations to support the defensive policies of their governments. In this the Partisans of Peace, with their Stockholm appeal and other spurious "peace" campaigns have proved to be veritable specialists in injecting the terror note into their propaganda. One may see this in all its directness in an article which appeared in their organ, *In Defense of Peace* (November 1950), in which the English reader is pointedly reminded that:

"* * * the transformation of Great Britain into an air and naval base directed against the U. S. S. R.—which has nothing in common with defending English soil—exposes us to the danger of Russian attack. As a soldier I can well imagine that Russia would feel obliged to reduce England to annihilation the day a third war broke out * * *

"* * * the idea of sending our troops to Europe is quite ridiculous. If there were a Russian sweep—which I think highly improbable—there would be no chance of stopping it * * *

The same theme was again piled by Dr. Hewlett Johnson, a perennial spokesman at the "peace" gatherings, on the occasion of the first session of the World Peace Council last February.

"The prospect is grim. The U. S. A., from her safety zone across the Atlantic, will hurl atom bombs on Russian cities. Russian troops will answer the attack. Our men of Europe—English, French, Germans, and Italians—will receive the assault. We English, they tell us, knew how to take the bomb in World War II and we shall know how to take the atom bomb in world war III. And even if all Europe is overrun, the U. S. A. will ultimately liberate us, as in Korea, by razing every city and village to the ground.

"My countrymen dislike the prospect. They dislike its present demands for impoverished living. They dislike its threat to their wives and children and fatherland; they dislike it because it has shed every moral pretext in the name of which it has been planned."

Similarly, for women the various agencies of Communist propaganda, particularly the Women's International Democratic Federation, have had recourse to a set of fear themes especially designed to appeal to the special interests of women in their role as mothers and wives. Thus it has constantly been emphasized that the policies of the United States are designed to precipitate a war with Russia, preparations for which would undermine the educational opportunities and the health of their children, and the outbreak of which would mean mass slaughter of the infant population of the world. The latter point has been enormously exploited after the outbreak of the war in Korea when appeals and articles have been put into mass circulation, charging that American airplanes are killing thousands of children and concluding on a note that—

"We do not want our children to condemn us later on. Now is the time for each one of us, each mother, to ask herself: 'What have I myself done personally to defend peace?'"

It is thus quite apparent that the psychology of fear and intimidation constitutes one of the principal props of mass propaganda, being carried on by the various agencies of the Communist movement in Europe. It is impossible within brief compass to detail all its manifestations, but enough has been said above to indicate that it is coming to occupy an increasingly important role in the propaganda output of European Communists. Even a close reading of the press in this country fails to convey a full appreciation of its extent and intensity, and of the energy and careful planning invested in its purveyance.

Mr. JAVITS. Do you know anything as to whether they are suborning the heads of governments? That is something we ought to know if there is any such information.

Mr. PERKINS. There is no such information I know of.

Mr. JAVITS. Or suborning the heads of armies or navies or industrial establishments?

Mr. PERKINS. No.

Mr. JAVITS. The heads of labor unions?

Mr. PERKINS. The heads of labor unions, some of them are Communists. There is no question about that.

Mr. JAVITS. What I am trying to get at, Mr. Chairman, if I may be permitted to, is where are the sensitive areas in high places which we would not read about or get in open session? I think that is what Mr. Ribicoff had in mind, and I sympathize with him. This is executive session.

If you have any inside information, let us know it, or if you do not, let us know negatively that you do not, but let us know what the score is, at any rate.

Chairman RICHARDS. Your time has expired.

Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

Mr. Secretary, the same arguments can be applied against Tito to a greater degree than against Franco. Is that correct?

Mr. PERKINS. I think, generally speaking, that is correct. Yes.

Mrs. KELLY. You said we are going to recognize Tito and the Tito government.

Mr. PERKINS. We also recognized the Franco government too, of course. In fact, we have never unrecognized it.

Mrs. KELLY. Our Ambassador was recalled from Spain for years—which is diplomatic disapproval of a regime. However, I feel by giving assistance that we are supporting the regime, and I think something ought to be done to make the peoples of those countries realize it is expedient for us to do it at this time and not because we are in agreement with the regime.

I now refer to page 4—the first paragraph on that page, you say:

Even those who actually don't want the Communists to gain control of the government sometimes vote Communist as the only emphatic method of registering a violent protest against existing social conditions.

That applies to colonial administration, particularly in Asia.

The estimated obligation assistance to France is very high, both military and economic, and on another page here I see where the estimated obligations to Indochina are military and economic.

Could you tell me if you are going to give that assistance to Indochina directly to the regime set up by the French Government, which the Vietnamese object to?

Mr. PERKINS. I think Mr. Rusk, when he is here, who is responsible for that area, can give you a better answer on that than I could.

Mrs. KELLY. It is not estimated for the French Government, but estimated for Indochina.

Mr. PERKINS. My understanding is that there is an interrelationship between both the French Government and the local governments, but I think Mr. Rusk can describe that for you much more accurately than I can.

Mrs. KELLY. Thank you.

Mr. ROOSEVELT. Will the gentlelady yield?

Mrs. KELLY. I yield.

Mr. ROOSEVELT. Mr. Porter, I think you can answer this. When Mr. Foster was here he told us they expected to sign the ECA agreements with those three dominion status countries—Cambodia, Laos, Vietnam—the end of last week or the beginning of this week. Now I understand the French have reneged on their former agreement and there is considerable throwing of monkey wrenches in the works, and the situation has bogged down completely. That is not because of the Vietnamese at all, but because of the French going back on their original program of independence, and so forth. Is that correct?

Mr. PORTER. The French have created difficulty in the signing of these agreements by insisting that before the agreements were signed they must have the approval of the High Council of the French Union which, however, is not yet functioning actively. So the French have agreed that the President of France may give approval instead.

Mr. ROOSEVELT. That was the situation 2 weeks ago.

Mr. PORTER. Ten days ago. Yes. The agreements as of yesterday had not yet been signed, but it appeared that they were about ready for signature.

Mr. ROOSEVELT. That is the long and short of this disagreement with the French?

Mr. PORTER. I did not understand that.

Mr. ROOSEVELT. Is that the long and short of this disagreement with the French?

Mr. PORTER. Yes. The French have raised no objection in substance. It has been purely a matter of form.

Mr. ROOSEVELT. Thank you, Mr. Chairman.

Chairman RICHARDS. Your time expired, and the gentlewoman's time expired.

Mr. HERTER, they are on the R's or the S's now, so you will have plenty of time to get your questions in before you go down.

Mr. HERTER. I have a question in connection with General Eisenhower's status in Europe. When he made a speech the other day in London it was a pretty strong speech in relation to the integration and political unity of Europe. Was he speaking then as an individual who was selected as Supreme Commander, or was he Commander in Chief of the American Forces, and so was what he said subject to the approval of the State Department before he said it?

Mr. PERKINS. I think he was speaking as an individual. Not that we in any sense disagreed with him.

Mr. HERTER. Does he not come under the general provision of not being able to say anything unless it has been cleared with the Government first?

Mr. PERKINS. He may have cleared it. I do not know.

Mr. HERTER. His status, since he is wearing two hats there, is a very confusing one. I want to find out when he does make a speech how we should interpret it, and as to whether it is the policy of the United States Government, or what it is.

Mr. PERKINS. He is an international servant, so to that extent he has a status that is quite different.

Mr. HERTER. He has both. It is a matter of which hat he is talking under.

Mr. PERKINS. Yes.

Mr. VORYS. Will the gentleman yield on that point?

General Bradley pointed out the other day that for NATO President Truman is not the Commander in Chief. Eisenhower was personally chosen. Is that not correct?

Mr. HERTER. That is right. It was in a letter of appointment of the President. He appointed him as Commander in Chief, and the chain of command remains the same as far as the American troops are concerned. Then he gave him the other hat. So I wondered what his status was. It is a very confusing one.

The other question is a very brief one. I understand that in terms of the present time there is a considerable amount of surplus for some industrial facilities.

Chairman RICHARDS. Will you allow us to suspend now? They are standing in the well now.

The committee stands in recess for 10 minutes.

(Whereupon, at 11:30 a. m. the committee recessed for 10 minutes, until 11:40 a. m. of the same day.)

Chairman RICHARDS. The committee will come to order, please.

Before resuming the questioning of the witnesses, the clerk wants to make a statement about some documents he has placed here.

Mr. CRAWFORD. We just placed before each member of the committee some papers entitled, "European Economic Aid Estimates, Fiscal Years 1951 and 1952." They have been furnished by Mr. Paul Porter. You will notice they are marked secret. They are particularly anxious to keep the military strength and the military estimates as confidential as possible.

Chairman RICHARDS. Mr. Carnahan, will you take the chair for a minute, please?

Mr. PERKINS. Mr. Chairman, might I make a correction first?

Chairman RICHARDS. Yes. Go ahead.

Mr. PERKINS. I think when I indicated the plan was to take up the country programs after the four regions or four titles had been presented, I was in error. I think the plan was we were ready to present the country's figures as soon as Mr. Porter and General Collins had finished their general statements about the principles involved.

Chairman RICHARDS. I think that will be satisfactory.

Mr. PERKINS. So we are prepared to do that.

Mr. CARNAHAN. Mr. Herter, you may proceed. You still have some time.

Mr. HERTER. When we broke up I had one question I wanted to ask in connection with the German situation. I understood—and perhaps incorrectly so—that the High Commissioner in Germany feels there is considerable productive power in Germany that might be utilized in connection with the joint production program on military items, and that today there is no adequate machinery to explore that thoroughly.

There is an awful time lag and drag in getting that done. I wondered whether you had any political objections to the German workshop, so to speak, being utilized more extensively from the point of view of the joint military effort, forgetting for the moment any contribution of men.

Mr. PERKINS. We have no political objection to that. It is a very complicated thing to work, and it is being worked on. I think some

items are now actually being produced, but I do not think the volume amounts to very much as yet.

Mr. HERTER. That had been dragging quite a lot, though.

Mr. PERKINS. Yes.

Mr. HERTER. From the point of view of getting all the military effort in Europe underway.

Mr. PERKINS. That is correct.

Mr. HERTER. When you say it is being worked on, would you want to be a little more explicit. I have been trying to find in all of these different titles, or somewhere in the draft bill, funds that might be made available, that is, dollar funds that might be made available for a joint effort to get them into a pool or something of that kind, if a pool is being worked out, I presume if you are buying arms in Germany and assigning them to the armed forces of the other nations, the problem of who is going to pay is going to come up somewhere, and we are likely to pick up the check.

Mr. PERKINS. That is one of the real problems and one of the difficulties, to get the pool of some of the countries to place orders in Germany on some sort of a basis which would permit German industry to go ahead. The DPB has been very much concerned with that whole problem, and there is a committee considering it here in Washington today, I think right now. We are hopeful ways and means will be found to expedite substantially not only procurement in Germany, but joint procurement elsewhere.

Mr. HERTER. The Belgian problem is of a somewhat similar nature.

Mr. PERKINS. Yes, because that is one of the most difficult things in Europe, to get joint procurement, which provides for a larger production, and increased efficiency, and lower costs. That is one of the important things that has to be still worked out, and it is being studied and worked on very earnestly. We are hopeful steps can be taken that can produce results in the not too distant future.

Mr. HERTER. There again what of your utilization of funds are available? Can ECA funds be used for that purpose, assuming that the appropriation went through in the form in which it was presented to us? Would you require new appropriations, or would it come out of the military aid or offshore procurement expenditures, or what?

Mr. PERKINS. I think it is a little difficult to predict exactly what the form would be. For that reason it is important, as has already been indicated, that there should be substantial flexibility in this legislation, so that if we do really work things out, we can use the funds to the best advantage.

I think there are two general principles that perhaps I am safe in putting forward. That is, that the transfer of procurement by Europeans to procurement by the United States does not accomplish anything. Your saving and your advantages will arise when we begin transferring procurement from the United States to Europe. If we can achieve that, then I think there are probably some savings to be achieved that are substantial. But if we simply substitute dollar procurement for franc procurement, I think we get no place.

Mr. HERTER. That, sir, is a very important point, because dollar procurement exchanged for franc procurement certainly puts dollars within the country, and the balance of payments is helped considerably by that. Obviously, it is an entirely different thing for the French to put francs into an arms program, which is then turned over to their

own troops, or to have the dollars to do the same thing and turn them over to the troops. They have the dollars, and having them, it is much more advantageous to them from the point of view of a balance of payments program than having francs.

Mr. PERKINS. There are two points about that. In the first place, you presumably get no more procurement.

Mr. HERTER. That I think is something that ought to be developed, as to whether you get no more procurement or not.

Mr. PERKINS. Because you get no more francs into the French Government with which they can procure. What you do is shift the dollars from the economic aid which we have been giving, and for which we get some counterpart, and have some say in the disposition of the counterpart, to a straight procurement. I do not think anybody contemplated we would procure and give the European countries through procurement more dollars than they would get as dollars. So, you have a bearing on the number of dollars you can give in the country anyway for procurement.

Chairman RICHARDS. The time of the gentleman has expired. You may continue with it later.

Mr. Burleson.

Mr. BURLESON. No questions.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. No questions.

Chairman RICHARDS. Are there any other questions?

(No response.)

Chairman RICHARDS. Mr. Herter, we are off the 5-minute rule now. If you want to pursue that question, you can do it right now.

Mr. HERTER. I would like to for just a moment.

Chairman RICHARDS. We have finished with the 5-minute rule.

Mr. HERTER. The practical situation, as it exists today, is that the military are actually placing orders today for a great many different things in a great many different countries, first of all, for the ordinary needs of our soldiers over there. A lot of them you will find are taken care of by purchases within the countries where they are stationed. In addition to that I am told by General Scott a number of contracts have been placed by the military, as orders for bazookas and what not, for which dollar payments will be made.

The whole purpose of this program, as I understand it, is to get Europe in a position as soon as possible where, through its own productivity and own manpower it can defend itself, and in a sense where it is sufficient in power to hold up, except for some particularly tough situation. In that process if you are entirely dependent on the letting of French contracts from French budgeted funds for military items, the program may be slowed down considerably, or it might be speeded up, contrariwise, if a certain amount of dollars are used in placing the contracts by ECA or military channels, it does not matter which.

The speeding up of the British, or the French, or the Italian armament production might move a great deal faster if you would entirely divorce our budgetary items from the Government itself.

Mr. PERKINS. You would still be related to the budgetary items of the Government itself.

Mr. HERTER. Why are you related to that? If we place orders and pay dollars for them, that would have nothing to do with the budget of the Government itself. That might relieve the budget a little bit.

Mr. PERKINS. It has this to do with the budget of the Government itself. There is no counterpart for the dollars placed in that way, which means a reduction in the amount of local currency which the country has to use in its defense effort. Therefore it has to make a readjustment in its defense program to allow for the procurement which we are making by dollars.

You can work that out and it may be that you could get contracts placed more rapidly that way, and it might be that you could not do it and you might upset the procedure rather than speeding it up. But, the net effect would be, I think, that we would lose our say in the disposition of the counterpart which we now have.

Mr. HERTER. There is no question about that, but assuming there is an over-all limit to what they can produce from their point of view, and let us assume in their budget they have made provision to place orders in France to take care of that total limit of productivity. Then, from an economic point of view it seems to me it makes very little difference whether or not the thing is paid for in francs and we pay for the raw materials in counterpart funds if they are sold to the Government in francs, and then turn it back to relieve the budget; or whether, in the first instance, we pay dollars for the finished item, and their budget is relieved of that amount, so that they can turn their francs that would have gone for that production to something else. That is, except in a sense ECA loses part of its control over counterpart funds, which I can understand they want.

Mr. PERKINS. I think that is basically correct. The two things you have to consider are the lack of control of the counterpart, or lack of counterpart funds which you would control or have some say in.

The other is whether in starting a procedure of that kind, which would have to be integrated with our present procedures, whatever those are, you so upset the machine that you let less contracts, rather than more.

You might let more and get the thing moving, but you also have the risk inasmuch as they have their plans all developed on their own budgets with the counterpart they estimated is coming into those budgets, you do run the risk of getting the thing confused to a point where you might let less rather than more.

Mr. HERTER. You are a little optimistic, I think, when you say they have a plan all developed. I am talking about the French budgetary system, where there are a number of things from a legal point of view that have not yet been done, so I do not think there is anybody who could say there are plans that could be upset.

Mr. PERKINS. I think the use of the word "all" is a little extreme, but whatever they have done has been done on that basis, and I think you will find a great deal of it has been done.

However, whatever you do that dislocates whatever they have done, causes that much confusion.

Mr. HERTER. I can fully appreciate the disadvantages of the disincentives when you begin putting American dollars for production where you think local currency and the local production can take care of it. On the other hand, getting things moving seems to me one of the most important things, and there any method that will get it moving seems to be what we want now.

What I was wondering about in connection with any appropriation here is whether there is sufficient flexibility from that point of view,

and whether the military ought to be given definite authority for off-shore procurement that they would work out with the ECA when it was considered desirable that an order ought to be placed.

Mr. PERKINS. I should think that was correct. Also, we ought to allow sufficient flexibility so that if a central purchasing agency can be set up and it proves desirable for us to contribute to that central purchasing agency with proper safeguards as to the way our money would be disbursed, that that ought to be also included. It is very important to have that kind of flexibility, because I think the chances of getting a real advantage in this suggestion you are making is in being able to work through some central agency that we conceivably could arrange to give some power to, to negotiate and consolidate and place contracts.

Mr. HERTER. There I would assume when foreign contracts are being placed that neither the State Department nor ECA has done the job and you may find the military placed the contracts direct through their military missions, and it is not being done through the political or economic agencies, but being done direct by the military.

Mr. PERKINS. Is General Scott here?

Mr. PORTER. No.

Mr. PERKINS. I think most of what the military has been doing is what we used to think of when I was in the Army as local procurement. If you were in a theater you bought as much as you could of what was produced there.

Mr. HERTER. I thought the same thing, but General Scott said they were procuring for the military program as well, and he is placing the orders and letting the bids.

Chairman RICHARDS. Are there any other questions?

Mr. JUDD. Yes, Mr. Chairman.

Chairman RICHARDS. Mr. Judd.

(Discussion off the record.)

Mr. JUDD. To come back to Yugoslavia, in the law, as we passed it last December, there was an amendment that the President was to require that Yugoslavia undertake to take all appropriate economic measures to reduce its relief needs, to encourage increased production and distribution of foodstuff within Yugoslavia, and to lessen the probability of such emergencies. We were trying to insist that Tito moderate his land collectivization measures, and so forth, which were discouraging production and thereby increasing the burden on us.

Has there been some moderation of his policies in that respect?

Mr. PERKINS. Yes. Very drastically. They very drastically modified their collectivization program. I think I am correct in saying this, that they completely halted it, or in some instances may be going backward and turning loose some of the collective farms into private management.

Mr. JUDD. Have your representatives over there reported that there is greater incentive for farmers to produce the maximum amount of food, or is it too early to tell yet?

Mr. PERKINS. I think it is too early to notice any marked change from that point of view.

Mr. JUDD. One other short question. On the bottom of page 2 of your statement, is what you say about General Eisenhower's status and appointment correct? You say the Europeans were encouraged among other things by America's "designation of General Eisenhower

as supreme commander." Is it not true that NATO chose him, rather than that we designated him?

Mr. PERKINS. The technicalities of the thing I think were this. They asked us to designate a commander for the armies in Europe. They also suggested it would be very acceptable to them if General Eisenhower were the one designated. I think I am right in that.

Mr. JUDD. He is appointed supreme commander by the President and not by the Council of Deputies or the Military Standing Committee?

Mr. PERKINS. They confirmed his appointment after he was appointed.

Mr. HERTER. I had a copy of the letter of appointment of General Eisenhower. It is my understanding that the Council of Deputies indicated to the President that if the President appointed Eisenhower, he, as an individual, would be acceptable as supreme commander.

Mr. PERKINS. That is correct. What actually happened was this: We had a meeting in Brussels last December, and the Foreign Ministers and Defense Ministers were there. They passed a resolution asking the President to designate a commander, and they said they hoped it was General Eisenhower.

Mr. HERTER. But they did not give the President any alternative to appoint anyone else.

Mr. PERKINS. Yes; they did. They simply said they hoped the designee would be General Eisenhower.

Mr. HERTER. All the records are top secret coming to the point of the President's letter of appointment, so we do not know what the background is.

Mr. PERKINS. I think I am right in this. While the meeting was still in session, the President replied he was designating Eisenhower, and the Foreign Ministers and Defense Ministers all signed a paper approving his appointment.

Mr. JUDD. That is all right, but I thought your statement might well be changed to read "America's willingness to have General Eisenhower appointed as supreme commander", because we ought to try to avoid the impression the United States is designating Eisenhower as it designates someone else.

Mr. PERKINS. I think that was a very good suggestion and I think it improves it.

Mr. JUDD. Thank you.

Chairman RICHARDS. Are there any other questions?

Mr. ROOSEVELT. Yes, Mr. Chairman.

Chairman RICHARDS. You wanted to pursue a matter you had in mind a little while ago, Mr. Roosevelt.

Mr. ROOSEVELT. Yes, sir; on Yugoslavia.

Has Yugoslavia been brought into any of the economic integration of Western Europe?

Mr. PERKINS. You mean any of the organizations?

Mr. ROOSEVELT. Yes.

Mr. PERKINS. No; it has not.

Mr. ROOSEVELT. Is there any possibility that as things go along Yugoslavia will be brought in? I ask that because I think it is quite important if we hope to wean away any of the satellite nations who begin to see the economic advantages of being tied to Western Europe rather than Russia it is important that they feel there is an

opportunity, if they pull a Tito, to break into the league. I was wondering whether the OEEC, or any of the other organizations that have been set up, have discussed this point at all or have any program on it?

Mr. PERKINS. Paul, has it been discussed in any of the organizations?

Mr. PORTER. It has been discussed informally, but not formally.

Mr. ROOSEVELT. Maybe Mr. Porter can explain it.

Mr. PERKINS. I was asking Mr. Porter about it. My recollection was it has not been discussed formally in any of the organizations. I believe that is correct. But it has been discussed informally among some of the members of the OEEC and EPU.

Mr. PORTER. That is right.

Mr. ROOSEVELT. Do they seem to feel this is a good road to pursue? (Discussion off the record.)

Mr. ROOSEVELT. I suppose any question dealing with the military integration or relationship with Yugoslavia should be held for General Scott. Is that correct, Mr. Chairman? Or maybe I can ask Mr. Perkins this.

Have we any military commitments to Yugoslavia as of this time to go to their support in case they are attacked by any of the Russian satellites or Russia and the satellites?

Mr. PERKINS. We have no commitments.

Mr. ROOSEVELT. No commitments?

Mr. PERKINS. No.

Mr. ROOSEVELT. Is there any staff coordination between the NATO group and Yugoslavia, or between our own Joint Chiefs and Yugoslavia's General Staff?

Mr. PERKINS. I think General Collins can answer that more authoritatively than I can. I think I know the answer, but I think it would be better for you to get it from him.

Mr. ROOSEVELT. To go back to Spain for a minute in this problem of a loan versus ECA-type aid, could you give us—and this would probably be Mr. Porter—the procedure by which applications are made by individual Spanish citizen-applicants for participation in the \$62½ millions, excluding the \$6,000,000 that was permitted for wheat or food grants? How does an individual Spanish company go about getting in on this pie?

Mr. PORTER. Do you want me to answer that?

Mr. PERKINS. Yes.

Mr. PORTER. The procedure is that any particular Spanish company that wants to apply for a loan first raises the matter with the Spanish Government and gets the endorsement of the Spanish Government for the application.

Mr. ROOSEVELT. At that point, that is the key to this whole thing, as I see it. Whom do they take it up with in the Spanish Government first? The Interior Minister?

Mr. PORTER. I believe it is the Ministry of Commerce and Industry.

Mr. ROOSEVELT. Commerce and Industry?

Mr. PORTER. Yes.

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Mr. ROOSEVELT. Then, Mr. Porter, when the Ministry of Commerce and Industry has approved one of these applications internally

within the Spanish Government, it goes to the Foreign Minister for transmittal to the ECA or the Export-Import Bank?

Mr. PORTER. To the Export-Import Bank directly; but we receive an information copy.

Mr. ROOSEVELT. I see.

Mr. PORTER. We then review the action taken by the Export-Import Bank, and in every instance thus far we have approved the loan which they proposed to make.

Mr. ROOSEVELT. Now, does the Export-Import Bank have somebody in Spain observing the processing of those applications within the Spanish Government and looking at the project at first-hand before it comes over here?

Mr. PORTER. No; they do not. Most of the loan applications which have been received up until about 60 days ago were for commodities like wheat and cotton. I think the bank properly felt for those kinds of loans they did not need anyone in Spain to make any on-the-spot investigation.

(Discussion off the record.)

Mr. PORTER. I should say up until the last 60 days there had not been the kind of loan applications that required an on-the-spot inquiry.

Mr. ROOSEVELT. Have these applications for commodities such as food been direct shipments to the Spanish Government, or Spanish importers of these commodities?

Mr. PORTER. In the case of wheat the Spanish Government itself has acted as the procuring agency. In the case of cotton, if my recollection is correct, private importers have imported the cotton, but the Spanish Government has assumed the responsibility for repayment.

Mr. ROOSEVELT. That is very helpful, Mr. Chairman. Now, my next field of questioning is on this whole organizational problem again.

We heard very eloquently from Mr. Hoffman and Mr. Rockefeller yesterday. Mr. Cabot seemed to dodge behind the general recommendation that things were going well now, so "why monkey with the works?" Secretary Acheson mentioned two or three other proposals that have been made.

Have you any opinions, Mr. Perkins, as to how this program could most effectively be administered?

Mr. PERKINS. I think the thing that we have to start out by recognizing is that in this kind of a program it affects a great many agencies of the Government. I think I understand that was brought out quite thoroughly by Mr. Rockefeller yesterday afternoon. Having had some experience in trying to run businesses and other things, I think you have to recognize when you get beyond a certain size that you run into administrative difficulties, no matter how you set up the administration. Size, per se, is the thing that you have to cope with and grapple with. You generally have to wind up with some kind of a coordinating system.

Your coordination at the top in large and complicated situations is seldom adequate because the top people have simply not got the time or ability to know really what is going on in the various fields where decisions have to be reached, and even in smaller situations, in the United States Government, I have called together people who were in charge of respective departments and we could not reach a decision. They would never actually know what the details were in the particular problem before them.

So one of the important things is that you have to recognize the fact that you do have to establish positive coordination and must use coordination agencies and people to carry these things through. Only the most critical policy questions ever do or ever should come up to the top.

I think that is generally the theory of the creation of Mr. Cabot's committee, ISAC, and the setting up of that in that way. Personally I agree with that theory. I think that is the right way to do it. I think you are going to have to do that, no matter what else you do. I think it is the kind of a situation where that is going to be essential, because you have certain specific elements in this situation which you cannot put together in one place, and even if you did you would still have to coordinate them because they would still be big and complicated problems.

So I think my personal feeling is that the way we are operating now is not a bad way of operating. That does not mean it cannot be improved and if it can be, of course, it should be.

We ought to be careful in making any drastic changes until they have been carefully worked through, and we are certain that an improvement will result rather than further confusion and delay in the program. I can well imagine that there may be better ways of setting up the over-all situation, but I can also well imagine that if that were done without careful thought and careful preparation, we might have a let-down in our ability to act in the United States for a period of 3 or 4 months while some new agency was getting set up or organized, and that that might be very serious from the point of view of the over-all program.

Mr. JUDD. Will the gentleman yield for one short question?

Mr. ROOSEVELT. Yes; I yield.

Mr. JUDD. You can have this off the record, if you prefer, but have you in the political departments felt that ECA, because it is handing out millions of dollars, was having more influence in the countries involved than the ambassador? This is the old question of whether there are two voices for America.

Mr. PERKINS. I do not think we need to put that off the record. I do not think that is correct, that there has been any evidence that the head of the ECA mission has in any way established a position of more prestige than the ambassador.

Of course, it is extremely important that in the field in particular the United States be represented with one policy. We do not have any divergent elements representing the United States going off in different directions.

There will be some instances, of course, and it would be bound to be so, where there have been a few things which happened which it would have been better not to have happened, but generally speaking, I think the relationship has been extremely satisfactory.

Mr. ROOSEVELT. Now, the major point made by Mr. Hoffman and Mr. Foster was that they were operators and that their agency was an operating agency and that policy questions were to remain in the State Department or in the other permanent departments, where policy was made on a Cabinet level.

Now, that sounds good to me, but when I begin trying to analyze it in individual cases I get rather confused. For example, if we followed Mr. Hoffman's and Mr. Rockefeller's and perhaps Mr. Foster's ideas

and set up this super-duper economic aid agency, we might come to a question of whether the economic aid should be directed into military production or into civilian production. That would be a question which would vitally affect the ability of that government to remain stable politically. With a drop in the standard of living, communism might infiltrate and take over.

Now, although that is an economic policy question and, therefore, might be reserved by the supereconomic operating agency, it still fundamentally involves a political question, and in my judgment the best people able to determine the political effect on the stability of the government would be the State Department.

What is a definition of where policy stops and where operations begin? That is really the key, as I see it, to this whole question.

Mr. PERKINS. That is a very difficult question and it is very hard to make policy judgments or to make operating judgments without being pretty well familiar with what is going on at either end of the problem.

Mr. ROOSEVELT. Can I ask you there, what is the difference between an operating judgment and a policy judgment? You just used those two phrases. That is why we are confused.

Mr. PERKINS. Well, operating judgment would basically be, when, where and how do you do a particular thing, I should think. When you get into a question of what kind of a program to have, like the question you stated of should you throw your support to the economic end or the military end, I think that is definitely a policy question, and I think everybody would recognize it.

What I was trying to indicate was that unless you worked closely together on these matters, you are not conscious of when you are running into a policy question when you are operating, nor are you conscious of when you are running into an operating question when you are trying to form policy.

So the questions have to be very closely correlated, and I think that can be done.

I think this is true of the people as a whole. We know pretty much what ECA is doing, and they know pretty much what we are doing, and our people are in contact daily on a terrific variety of matters. I think sometimes they think we raise policy questions when we should not, and I think that sometimes we think they do operating things when they should not do it; but at least we know what the other is doing and have an opportunity to discuss it and straighten it out.

Mr. ROOSEVELT. Mr. Perkins, you have very clearly stated the really basic need of complete coordination between the State Department and any operating economic-aid agency. In a set-up whereby a new operating agency was directly placed under the policy supervision of the Secretary of State, and perhaps reserving the right of the Administrator of the operating agency to take any basic dispute to the President, would that facilitate this coordination?

Mr. PERKINS. I am afraid I do not have any very good judgment on that. It might and it might not. I think one of the things that we should remember is that the State Department has not been set up basically as an operating agency. If you were going to give it supervision of an operating agency, which means putting it in the operating business, it would need a rethinking a little bit as to what the State Department was and what it should do, and how it should be organized. It might be helpful and it might not.

Unless the thing were very carefully worked out, I would hate to try to give an opinion on that.

Mr. ROOSEVELT. I think there is one other factor here that many of us feel one of the reasons for the success of the ECA was because of the kudos and the stature of the Administrator within the Government. He was on a Cabinet level and, of course, the personal abilities of both Mr. Hoffman and Mr. Foster, as well as Mr. Harriman, and later on Milton Katz, were responsible for it too.

One of the questions I brought up with Mr. Cabot was that perhaps he was not given enough kudos. I think it was Mr. Judd who asked him whether he could go directly to the Prime Minister of France on a given problem. He said "No." There was not any real need to because the Ambassador would do it.

The reason I made this suggestion was to take care of this need of stature and kudos there should be the creation of an independent operating agency, but subservient to the Secretary of State, as far as all policy questions are concerned. It would help the Congress then to put its finger directly on the responsible officials for the program.

Mr. PERKINS. As I basically understand the situation, that is the way we now operate. ECA does or is guided by the State Department on policy. If they think there is something wrong that is going to interfere with their objectives, they have a right to take it to the President, and they would so do if they felt they should.

You are perfectly right on the question of kudos in this situation. It is right from another point of view, and that is your ability to recruit the kind of people you want to get into this kind of job. That is very important. It is becoming increasingly difficult with the large number of people at relatively high levels in the Government to get an outstanding man to come in and make him feel he is going to have an outstanding job.

So that anything we can do from that point of view is also useful to enable us to recruit people of capacity and stature.

Mr. ROOSEVELT. One last question on this line, Mr. Perkins. It is my hunch this committee is going to favor in general the setting up of a new independent agency, and will do it in this bill. I think that is fine, provided we fully understand the implications and surround this new agency with enough safeguards to prevent it from ultimately becoming a superduper agency which could conceivably take over the State Department, and even the Defense Department. I say that somewhat facetiously, but if you think it through it becomes an absolute possibility.

I think that we have to start thinking here in this committee, and that is why I am asking you for this guidance, because you have been in both the agencies, as to the kind of safeguards we can set up to prevent this agency from becoming, because of its tremendous economic power, a policy agency in itself, or a molder of policy in itself. I think that is a very key question in this whole organizational problem.

Mr. VORYS. Will the gentleman yield?

Mrs. BOLTON. Will the gentleman yield? Is your question on that subject, Mr. Vorys?

Mr. VORYS. Yes.

Mrs. BOLTON. Go on with your question on that subject. I have another one.

Mr. VORYS. On that subject, I think we make a mistake by assuming that everyone agrees with the glowing reports of success that ECA and the State Department give themselves on this military and economic program. If there has been no conflict, and if everything has gone smoothly among the Americans in these countries, but if the total net result is that while recovery--the thing each country can do for itself--has proceeded beyond our expectations, yet integration and unification, both military and economic, has fallen far below the expectations and hopes of everybody, including these agencies, then that is not necessarily a situation which could be described as successful. If all the military, the State Department, and ECA people say, "We are just a sweet, happy family in every country, but we have not gotten the results Congress expected or we wanted after pouring out billions of dollars," then that does not necessarily wind up with the view that we ought to leave the organization as is. It may point to a necessity for doing something different from the way we have been doing it.

You can consider that as a question or a comment, Mr. Perkins.

Chairman RICHARDS. I have one thought on that. Mr. Perkins, you, of course, agree that ECA is an independent agency?

Mr. PERKINS. Yes.

Chairman RICHARDS. All right. You testified, and other witnesses have testified, that nevertheless there has been no real conflict that could not be solved between the desire of the agency and foreign policy itself. If that be true, then what is the great danger in setting up a new agency with an enlarged scope on the basis that it will have no conflict on the matter of policy and being assured of putting the right man at the head of it?

Mr. PERKINS. I think it can be done. The caveat I was trying to throw up was that if you make too many changes in doing it you may confuse the situation to a point where we would no longer operate effectively for a while. I think undoubtedly it could be straightened out. Continuing the ECA or giving it a different name and perhaps slightly changing its power, if you will, I think would present no difficulties, but I just do not know.

The thing that worries me a little bit is what you have in mind as to how superduper an agency this is going to be.

Mr. ROOSEVELT. My understanding of Mr. Rockefeller's and Mr. Hoffman's recommendations was to change the name of ECA. Mr. Rockefeller has his own recommendation as to the name. They also recommended that we keep the same personnel; put point 4 into it, and take it out from the State Department; put all military production aid, as distinguished from military end-item aid, into it; and put the right to make bilateral commercial agreements, such as the Mexico agreement, which he referred to, which was made during World War II, into it as a new authority; and broaden its scope from Europe to include the rest of the world. The STEM missions would no longer be just STEM missions, but would be regular Overseas Economic Aid Agency missions.

Mr. VORYS. And permanent.

Mr. ROOSEVELT. And permanent.

Now that, as I understand it, is his recommendation for the agency. I think, if you do that, you are going to set up a superduper agency which is going to have policy-making temptations.

Maybe Mr. Hoffman is one of these people who can refrain from the temptations that go with such tremendous power, but I do not like to set up a permanent agency which is dependent on the morality of just one man. I think we are dealing here with a problem that is going to go on for 30 years or more. Maybe Mr. Hoffman will not be around for 30 years. Maybe Mr. Foster will not be available in 30 years, and maybe people on this committee will not be. We have to look for the time when the person is not the deciding factor in the effectiveness of the arrangement we create.

Chairman RICHARDS. Did you have any comments to make, Mr. Perkins?

Mr. PERKINS. I want to make a comment on what Mr. Roosevelt just said. I did not know there was in consideration setting up a permanent agency. I thought what was being considered was the proposal of a temporary agency which would carry through this particular problem we have now as ECA did the economic problem.

Mr. ROOSEVELT. All of these people considered it to be—and I would say the better word is—semipermanent. It is not going to be, like ECA, for 4 years, and then it is finished. It is an agency which will go on as long as there are underdeveloped areas in the world, as I see it, and Communist aggressive threats.

Mr. PERKINS. I think some of the things I have said need to be tempered if they are addressed to a permanent agency. I think that raises a separate bunch of problems that becomes quite difficult.

Mrs. BOLTON. Might I just ask this question?

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. In the report on this bill, in the material sent us by the State Department, there is a statement that the economic situation in Yugoslavia has deteriorated very much.

What has been the cause of the deterioration?

Mr. PERKINS. I am not sure I know that statement.

Mrs. BOLTON. It is page 23, I think. It says it quite definitely.

Mr. ROOSEVELT. Mr. Chairman, while Mrs. Bolton is looking for that, may I just finish this line of questions I have?

Chairman RICHARDS. Mr. Roosevelt.

Mr. ROOSEVELT. Mr. Perkins, if such an agency were set up, have you any idea as to how we can restrict the authority of such an agency to maintain it as an operating agency and to maintain foreign policy in the State Department?

Mr. PERKINS. I think basically it would do what was done in the ECA. I think it can conceivably be strengthened a little bit, but the ECA Act did provide, as I recall it, that policy matters were to be done only after approval of the Secretary of State.

Is that not right, Paul?

Mr. PORTER. Upon consultation and policy guidance.

Mr. PERKINS. I think the wording could be perhaps improved a little bit.

Mr. VORYS. Will the gentleman yield?

Mr. ROOSEVELT. Yes.

Mr. VORYS. Section 105 (c) reads:

The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by the Export Control Act of 1949, shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respec-

tive duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency, or officer in performing functions under this title is inconsistent with the purposes and provisions of this title, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

That is the one between the Administrator and the Secretary of Commerce. There is a similar one—

Mr. PORTER. And (b) preceding that.

Mr. VORYS. And (b) preceding that is the one that spelled out in a little bit longer language—different words, but the same music—what I have just read. The administrator and the Secretary of State talk with each other and—

* * * if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

That is the way it was done in ECA.

Mr. ROOSEVELT. I read that section, and that section in my judgment is completely inadequate in this situation because there is no statement in there which says that this fellow is an operator and not a policy man. It says when he determines a policy he must consult and keep the other fellow connected with the policy in the other agency informed. If there is a difference in policy, then they go to the President.

In other words, there is no restriction on the making of policy written into that act, as I read it. Maybe my legal interpretation is inaccurate.

What I am worried about is that so much power will go into this fellow because of the tremendous funds he has that his judgment on policy will always be determinative. If there is a fight and it goes to the President, the President will almost have to go along with this fellow.

Mr. PERKINS. Was that not true in the instance of the ECA Act, because Congress did establish the policy which was to guide ECA?

Mr. ROOSEVELT. Yes. I think so, but Congress is going to decide the policy in broad forms here, but the secondary-level policy question is the one I cited, about how much goes into military production, and how much into civilian production, for example.

Mr. PERKINS. Yes.

Mr. ROOSEVELT. That is a question which Congress will not and should not attempt to lay down the policy on. It is what I call a secondary-level policy question. That is the question which this new Administrator could, if we followed the language of the old act, decide almost exclusively by himself. There are no safeguards around it, and that is why I suggested perhaps he ought to be under the Secretary of State.

Mr. PERKINS. I do think perhaps the reason—although I was not here at that time—the reason this act was drawn that way is because Congress did establish the policy and told the Administrator to carry out that policy.

Mr. VORYS. If you would like the history of it, the Secretary of State brought an act up here and said, "We want it this way," and was quoted in the papers as saying, "If you do not have it this way—"

Mr. ROOSEVELT. Then you will have two Secretaries of State.

Mr. VORYS. Yes, and he said do not pass it at all unless you head the administration in the Department of State.

Mr. ROOSEVELT. That is right. That was Secretary Marshall, and he also stated if you do not put it under the Secretary of State and create a separate agency you will have, in effect, created two Secretaries of State.

Mr. VORYS. And we proceeded to set up an independent agency.

Mr. ROOSEVELT. Luckily it was not a big enough program and you had men who did not want to be Secretary of State.

Mr. HERTER. They are four times as big as the Department of State.

Mr. ROOSEVELT. Not in the long range it is not.

Mrs. BOLTON. Could we refer back to my question, Mr. Chairman?

Chairman RICHARDS. Mrs. Bolton.

Mr. PERKINS. I think, Mrs. Bolton, the comment in this report refers to the condition which developed as a result of their splitting with Moscow.

Mrs. BOLTON. But that is old history.

Mr. PERKINS. That is old history. This does not mean currently.

Mrs. BOLTON. The inference one draws from the written statement is definitely current, and is worse than the last time when we were discussing Yugoslavia and helped her out. If there has been any improvement then I would suggest that the statement is somewhat confused, and that is why I am asking that. I wish you would check on it.

Mr. PERKINS. That refers to the history over the last 3 or 4 years, but the situation has not recently deteriorated. On the contrary, it is getting better.

Mrs. BOLTON. I am somewhat relieved to have the impression corrected and to know that the deterioration is of the past. When the Yugoslav situation was before us last year there were opinions expressed that the deterioration was due to Communist methods. Were this continuing it might make some difference in the method we might employ from here out.

The strategic position of Yugoslavia would make it seem advisable for us to assist her in continuing her firm position against Moscow.

Mr. PERKINS. The situation is not now deteriorating, but is getting better.

Mrs. BOLTON. Thank you very much.

Chairman RICHARDS. Are there any other questions?

Mr. MERROW. Mr. Chairman, I have just a question in reference to this matter of integration that you spoke about on page 3. I referred to that before.

It seems this matter of European unity is of great importance. So much so, that General Eisenhower devoted a speech to it in London a short time ago.

I wonder if you would give us a report on just how the OEEC and the Council of Europe and the European Payments Union, and so on, have penetrated the political and economic barriers in Western Europe? You made that as a statement here. I think it would be helpful if we could have a detailed statement on how these agencies have done that.

Then, in connection with this, would you be willing to set forth the steps that you think they ought to take in the immediate future

to bring about the degree of integration that we hope for in order to make the Continent an entity that will be able to support itself economically and build up military machines so that it can protect itself? We would be very glad to get such a statement from you. Would you make that statement for the record and perhaps indicate what we can do to accelerate integration.

Mr. PERKINS. Yes.

Chairman RICHARDS. Would you place that statement in the record as a part of your testimony?

Mr. PERKINS. We will.

(The information requested is as follows:)

EUROPEAN EFFORTS TOWARD POLITICAL AND ECONOMIC INTEGRATION

The OEEC has contributed significantly to reducing the economic barriers separating the nations of Western Europe, particularly through its program of trade liberalization and its creation of the European Payments Union. Under the trade liberalization program it has set specific standards for the member countries to achieve in freeing their trade from quota restrictions on imports. The effect of these quotas has been to hamper seriously the flow of trade and to encourage an inefficient use and distribution of European resources. The OEEC Council first agreed in 1949 that each member country should free from such restrictions 50 percent of its imports from other member countries; later it raised the goal to 60 percent; and has now directed a 75 percent liberalization standard. Nearly all the OEEC countries have complied with the 60 percent decision and a number of countries have already reported their achievement of the 75 percent objective.

The European Payments Union, which the OEEC was active in creating and which is operated under the authority of the OEEC, is essentially an automatic system for the clearing and settlement of the payments among the member countries. In the absence of such a multilateral clearing system each country was in effect forced to balance its accounts bilaterally with each other country; i. e., no country could buy from one country and cover the necessary payments by a surplus of sales to another country. This situation led governments to impose numerous restrictions on their trade and fostered discriminatory trade and payments practices. Under the EPU the currency of any member is freely transferrable in terms of the currencies of all other members, so that the direction of trade within Europe need no longer be distorted by bilateral payments difficulties. This improved payments arrangement has contributed to a rapid increase in the level of intra-European trade, to measures liberalizing trade, and to the encouragement of efficient, low-cost production.

The significance of the OEEC, however, extends beyond its specific accomplishments in fostering an integrated European market. In the OEEC an intensive process of mutual examination of various aspects of national programs is continuously taking place, and the member countries have exhibited a willingness to make readjustments in the light of these examinations. As a result many problems are now subject to international review and recommendation which have traditionally been considered of purely domestic concern.

The Council of Europe is composed of a deliberative body, the Consultative Assembly, and a Committee of Ministers. Members of the Assembly are normally selected by the participating governments; unlike the members of the Committee of Ministers, however, they do not represent governments. The Assembly has debated many problems of European significance, including social security, human rights, full employment, treatment of refugees and the elimination of visas, and has made recommendations to the Committee of Ministers. Although the powers of the Assembly are currently quite limited, the Council of Europe serves as a focal point for the movement toward a united Europe, as a unique forum for consideration of problems from a European point of view, and as a testing ground for the concept of a European parliament.

To mention briefly other important developments—in the NATO the process of questioning national programs and harmonizing them through intergovernmental agreement, which is apparent also in the OEEC, is being extended from the economic to the political and military fields. Under the Schuman plan, a bold experiment in functional integration is being undertaken. The six participating

countries will institute a genuine single market for coal and steel to be regulated not by national governments acting together, but by a supranational High Authority, responsible to its own specially elected Common Assembly representing the peoples of the six countries. The extension of the Schuman plan functional approach to other fields is being considered, most importantly in connection with the proposed European Army.

The concept of a unified Europe is thus finding expression in a variety of ways, and various devices are being explored and tested. European integration appears to be emerging in a series of political and economic groupings which are mutually reinforcing: first, a center core of European countries, the Schuman plan countries, who because of the dual pressure of economic necessity and geographic location can probably move most rapidly toward the establishment of common institutions; second, a wider geographic area, Western Europe as a whole, which has a common cultural heritage and many economic problems which can be effectively resolved on a Western European basis; and lastly, a broader grouping representing the North Atlantic community as a whole which must act in concert economically, politically, and militarily to strengthen the defenses of the free world. From a historical viewpoint the progress which has been made in this pattern since the war is remarkable.

Although it must be recognized that the decisions on measures for integrating Europe are the responsibility of the Europeans, the United States believes that further progress can be made along the lines outlined above, and will continue to encourage this evolution toward European unity. Among the specific measures under consideration in this area which the United States is currently encouraging are those for extending the trade liberalization effort by establishing a "common list" of liberalized items for all OEEC countries, by liberalizing so-called invisible transactions (e. g., payments for services), and by reducing disparities in European tariffs; for strengthening and continuing the functions of the European Payments Union; for applying the Schuman plan principles to the establishment of a European army; and for coordinating the economic work of the NATO and of the OEEC.

Chairman RICHARDS. Thank you very much, Mr. Secretary. We appreciate your coming up and we have profited by your testimony.

The committee stands adjourned until 2:30 o'clock, when Mr. Porter will be the next witness.

(Whereupon, at 12:45 p. m. the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:30 p. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order. We will resume testimony on the so-called Mutual Security Program. We are privileged to have with us this afternoon Mr. Porter, Assistant Administrator for ECA.

Mr. Porter, we will be glad to hear from you now. Do you want to give us a prepared statement or do you just want to subject yourself to questioning on salient points?

STATEMENT OF MR. PAUL PORTER, ASSISTANT ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION

Mr. PORTER. Mr. Chairman, I do not have a prepared statement. I propose, if it is satisfactory to the committee, to make a brief extemporaneous statement as a prelude to questions.

I thought through questions we could best get down to brass tacks, how, why, and where we propose to spend the aid which is being requested of the Congress.

(Discussion off the record.)

Mr. PORTER. I thought it would be useful if I took a few minutes to tell you how we arrived at the estimates of the amount of aid which we think will be needed during this coming fiscal year.

We have not been content to accept the Europeans' own estimate of their military capabilities, that is, their capabilities for the production of armaments, or of their own estimates of the amount of aid they need.

We have preferred to make our own estimates which are uniformly higher with respect to what Europeans can do and uniformly lower than what they would like to obtain from the United States.

The preparation of our estimates has been a much more complex task this past year, or in preparation for the new request, than it has been in previous years.

In previous years a balance of payments study, showing the deficit of the members of the OEEC, has been our basic document. This year we have had to make a number of other studies leading up to a balance of payments estimates.

We have felt with the 3 years' experience which we have had in analyzing the different economies of Europe that we were able to make a reasonably reliable estimate of what they can do, the amount of aid which will be necessary to enable them to meet the military production targets that we propose they undertake, and so on.

We felt this experience we have had has enabled us to make better judgments than we have received from the European countries.

The steps we have followed in the preparation of our request for aid this year is to begin first with an estimate of the capabilities for military effort, based upon our knowledge of the manpower and facilities available in each of the European members of the North Atlantic Treaty Organization.

We have, of course, had to take into account certain limitations. The first of those is the availability of raw materials. All of our estimates have been fitted within the framework of materials which we estimate will be available during the forthcoming year.

Secondly, we have had to temper our estimates with a judgment as to the feasibility of increased taxation in order to support a higher military budget in these countries, and also a judgment as to the limits in which consumption could be curbed in these countries, so that they make the maximum contribution of their own resources.

We have, for instance, estimated about all we can expect in the way of increased taxation for the European NATO countries as a whole is a 10.9 percent increase in taxation.

(Discussion off the record.)

Mr. PORTER. We tried to be realistic in estimating what will be done.

Somewhat the same kind of estimate has been made as to the level of consumption in the various European countries. I can give you our estimates for all of these countries. But I will take at this time just a few as an illustration.

We have estimated, for instance, that in the United Kingdom consumption can and probably will be reduced. We have estimated it will be about 98.8 percent of what it has been during the past year.

We estimate that in the Netherlands they will be able to cut their consumption level to about 98.3 percent. However, to be realistic, we have assumed that in Italy as military production increases, many

of the unemployed are put to work, that it is inevitable that when unemployed people go to work there will be an increase in the total level of consumption.

We saw that in the early 1940's in the early part of our defense program here. We have therefore in making our estimates forecast for Italy a per capita consumption level for this coming year of 103.9 percent of the past year.

In France we have forecast a per capita consumption level of 102.7 percent for the forthcoming year as compared with the past one.

Per capita personal consumption in the United States has increased by somewhat more than one-third since 1939. The rearmament effort in this country will probably mean a check on this increase or even a small decline. As nearly as can be estimated per capita personal consumption expenditures in the United States in 1951-52 will range from a maximum of the same level as per capita personal consumption expenditures in 1950-51 to a decline of approximately 3 percent. The data on which these calculations are based are in terms of prices in the first half of the calendar year 1951.

The composition of consumption in the United States is substantially different than the composition of consumption in other areas of the world. A very significant difference is that a relatively large portion of consumer expenditures in the United States is on automobiles, household appliances, and other consumer durable goods. While per capita personal consumption expenditures on nondurable goods and services may actually show some increase in the current fiscal year over 1950-51, the expenditures on durable goods will certainly show a substantial decline. It is in this sector of consumption that the major direct impacts of rearmament will be felt.

In making adjustment as to how much of a reduction in consumption is possible in the European countries, in order to further their defense efforts, I think it is well to keep in mind that our per capita income in the United States is $3\frac{1}{2}$ times that of the average consumption level for the other European NATO countries, excluding Canada.

Mr. VORYS. Will you just give us those figures? You have GNP but not income.

Mr. PORTER. That is right. You mean, on what the per capita income is or consumption levels that we have estimated?

Mr. VORYS. National income. We have gross national product figures. Give us the national income figures.

Mr. PORTER. The national income figures for the past year are as follows, for the following countries: Belgium and Luxemburg, \$626 per capita of national income; Denmark, \$679; France, \$542; Italy, \$286; Netherlands, \$446; Norway, \$535; Portugal, \$216; the United Kingdom, \$631; the United States, \$1,916. All of these figures are computed as of current prices.

Mr. JUDD. Does that mean, when you say that England's is \$631, that you are just taking the number of pounds they get per capita and converting that into dollars at the present rate of exchange, or is that a weighted figure that means their purchasing power per year is comparable to what an American can purchase with \$1,916?

Mr. PORTER. It is not related to American purchasing power.

Mr. JUDD. Then the gap is not quite so great, because in most things the price level is higher here. The American gets 3 times as much money, but he cannot buy 3 times as many commodities, can he?

Mr. PORTER. It varies from country to country, Mr. Judd. Their food costs are less than our own. Their clothing costs are somewhat higher. The cost of an automobile in the United Kingdom is substantially higher than in the United States. That would apply to almost all luxury items.

Mr. REECE. Do you have the 1938 figures?

Mr. PORTER. I do not have them before me, but I can obtain them.

Mr. VORYS. Before you go to that, will you give us the totals? We have the gross national product for Europe. What is the national income? Have you that for NATO?

Mr. PORTER. I do not have the totals before me for total national income for the NATO members.

Mr. VORYS. Per capita?

Mr. PORTER. The average per capita?

Mr. VORYS. Yes.

Mr. PORTER. Yes. The average per capita is \$597, average per capita GNP.

Mr. VORYS. I want to get the difference between GNP and income. I am always puzzled over those statistical things.

Mr. REECE. Will the gentleman yield? I think it would be very helpful, so it could be made of record, if you could give us a brief description of gross national product and national income.

I think that question just keeps bobbing up.

Mr. HERTER. I asked that question of Mr. Harriman, and he passed it over to Mr. Gordon. Mr. Gordon amplified his remarks in the record. I think it took five pages.

Mr. PORTER. May I say, Mr. Reece, that I am also bewildered as to the distinction.

Chairman RICHARDS. Mr. Reece, is five pages enough on that?

Mr. PORTER. As I have tried to boil down the five pages as used by the experts, I would define it this way:

Gross national product is the total output of the nation; national income is gross national product less depreciation on capital. So, national income generally runs around 90 percent of gross national product.

Mr. REECE. I think that is a very good statement.

Chairman RICHARDS. Let us let Mr. Porter get along on his statement.

Mr. PORTER. I get just as lost by the experts as you do, Mr. Reece.

In answer to Mr. Vorys' question, I do not have the average per capita of national income for all of the NATO countries.

The average per capita of gross national product is \$597. I think if you reduced that by 10 percent you would come out just as accurately as I would after doing a lot of figure work.

Mr. SMITH. Mr. Chairman, may I ask if Mr. Porter could furnish the figures of the per capita to cover those same two points, national income and gross national product as of the period when this started. I believe this program started in 1948. Would that be possible?

Chairman RICHARDS. Will you do that for the record?

Mr. PORTER. We will do that.

(The material referred to is as follows:)

Per capita gross national product and national income, nine European NATO countries and the United States, 1938, 1948, and 1951

(In dollars, at current prices)

	Gross national product per capita			National income per capita		
	1938	1948	1951	1938	1948	1951
Belgium-Luxemburg.....	312	710	764	259	590	626
Denmark.....	402	625	812	362	526	679
France.....	253	439	668	230	390	542
Italy.....	198	256	341	158	238	296
Netherlands.....	374	428	560	314	346	446
Norway.....	399	445	624	332	411	535
Portugal.....	138	221	237	118	201	216
United Kingdom.....	571	676	789	469	547	631
United States.....	674	1,767	2,143	538	1,524	1,631

NOTE.—Changes in the above figures from one time period to another should be interpreted with caution, since the figures are expressed in current (i. e., changing) prices. For most countries, the increases in the figures between 1938 and 1948 reflect largely or entirely price increases, and do not represent actual increases in gross national product or national income in real terms. In addition, comparisons both between time periods and between countries may be inaccurate because the exchange rates used to convert into terms of dollars may not closely reflect the differences in actual purchasing power of the several currencies.

Source: Economic Cooperation Administration, Division of Statistics and Reports, July 19, 1951.

Mr. PORTER. I have described our first step—just to repeat it very briefly—as an estimate which we have made ourselves of what the Europeans are capable of in the way of military production, taking into account certain realistic limitations, such as their willingness or ability to increase taxation, their ability or willingness to reduce consumption.

The second step we have used in arriving at these estimates is to prepare a statement of internal accounts for each country, showing for that country its gross national product, its level of consumption, investment, employment, its government budget, both military and nonmilitary.

May I emphasize that these are a forecast of what we think is possible during this coming year. These are not based necessarily upon official estimates. We have always taken official estimates into account, but we have not taken the official estimates of another government as the last word. We have made our own estimate.

Next, after having prepared these internal accounts, we then prepared a balance-of-payments statement, taking into account all of the foregoing factors which I have mentioned, and also taking into account that country's foreign trade.

We have been obliged to make our estimates of their exports during the coming year and their probable imports.

In that connection we have estimated, taking the OEEC members as a group, an over-all increase in the volume of imports amounting to 5.9 percent.

The reason why we have estimated that increase in imports is that it is an increase in raw materials necessary for armament manufacture.

Only in a few instances, as in the case of Italy and France, will those imports represent an increase in consumption levels, because in our

estimate to some extent consumption levels will rise in those particular countries.

We have made an estimate that there will not be during this coming year an increase in the volume of exports of the European countries to the rest of the world. That is an over-all estimate.

We recognize in a few instances there will be an increase in exports.

Mr. HERTER. I have before me your balance-of-payments table, which I must say is a little difficult to read. In that you show a very considerable increase in exports of the 14 nations. Between 1950-51, 1951-52, you have an increase for all countries of roughly a billion and a half dollars. Maybe this represents changes in prices.

Mr. PORTER. I think that is it, Mr. Herter. I will have to check on that.

Mr. HERTER. This whole table takes considerable reading. It would take an expert to explain this table as it is set forth. Certainly the dollar amounts are increased. Perhaps you are speaking of volume.

Mr. PORTER. May I have the opportunity to explain that at a later time?

We have estimated that in volume, exports would not increase because of a diversion of goods which would otherwise go into exports going into military production.

We have estimated there would be an increase in export prices which we have calculated at 4.9 percent.

I would like to check that percentage against the difference in the table that you refer to. We have also in making these estimates taken into account an expected decrease in trade between the countries of Western Europe and the Soviet bloc.

As you know, we are pressing the countries of Western Europe to reduce all their trade in items of strategic importance. And we have assumed there would be a considerable decrease this coming year in that trade with the Soviet bloc.

We have also estimated there will be an over-all increase in production of 5.3 percent. Then, having made these balance-of-payments estimates, before we accepted them in the form in which they had been presented to you, we have cross-checked them against the export-import tables, which we have always prepared in the past, which show commodities by major category, and also by source and destination.

In this connection we have taken account of the fact that some of the commodities will be in short supply during the coming year.

Finally then, as an end product, we have arrived at an estimate of aid needed by each country. In that connection may I speak about these very thick white books which have been laid before you. I would not recommend that you try to read everything in them. We have not presented them to you with the purpose of overwhelming you.

Mr. VORYS. You did anyhow. I asked for it and I got it.

Mr. PORTER. These are our work sheets. We have laid them before you so that, where in connection with a particular country, if you wish, you can trace through our own thinking in arriving at an estimate, beginning with the internal accounts, and looking at the import-export balance of payments until we arrive at the estimate of aid.

At any time the committee wishes I will be glad to try to answer any particular question you may have in connection with these work sheets we have laid before you.

Mr. VORYS. Could I ask just one question at this time? What is the difference between "short form balance in payments" and the other kind of balance in payments? Is that time or is that merely a summary? What does "short term" mean?

Mr. PORTER. It means it is a condensed balance of payments statement.

In the aggregate, for the members of the OEEC who will be receiving aid next year, we estimate there will be a need amounting to \$1,512,000,000, compared with \$1,954,000,000 that was given as dollar aid during this past year.

That is not the total assistance received last year, because there was some aid received by some of the European countries from the other European countries through the European Payments Union.

If we take into account the net aid made available through the European Payments Union, the total amount of foreign assistance received by the members of OEEC last year was \$2,088,000,000.

Mr. VORYS. That means the amount received, not programed or obligated, but the amount we got there during fiscal 1951, does it not?

Mr. PORTER. No. I am glad you corrected me. This is what is obligated and not yet necessarily delivered, because some of the procurement may still be in the pipeline, on its way.

Mr. VORYS. Can you tell us how much we got there during fiscal year 1951?

Mr. PORTER. I can, sir, if you will give me just a few minutes to present those figures. What it really means is adding what was in last year's pipeline and subtracting what is in this year's pipeline. I can do that a little bit later.

I would like to say to the committee that our estimates, of course, are subject to human error. I think that we are quite modest about them. We recognize that these are simply an estimate based upon the best judgment of pretty well qualified people who have been in the business of making these estimates over a 3-year period.

We are reasonably confident that they are as reliable estimates as it is possible to make under the present circumstances.

I think we would have more confidence in them than we would in the estimates made by the other countries themselves. I think we have made these estimates more objectively.

The estimates which we have made lead us to certain general conclusions which I will now state very briefly.

The first is that we believe that the estimate of what our partners in the North Atlantic Treaty Organization can do to rearm themselves are realistic, or reasonably so, and can be achieved.

However, the achievement will require very hard and patient negotiation on the part of our teams in Europe, to induce the Europeans to achieve the high targets of military effort that have been set.

A second condition is that United States aid will be needed to cover the margin between what we have estimated they can do and what they could do without our aid.

I think we might say this is to cover the margin between a high effort and just a mediocre effort.

The second general conclusion which we have tried to keep constantly before us is that while we should press the Europeans very hard, we cannot, and should not press them to the point that there will be serious inflation in Europe or that the Communists would make major gains because of increasing hardships.

Mr. Chairman, I am also prepared to comment, if it is desired, on the level of military production in Europe during the past year and what our forecast for the coming year is, both by country and by major category of equipment.

Perhaps it would be just as well if that were to come out in the question period. I do not want to make a long statement. I am prepared to go into that if the committee wishes.

Finally, at some time, Mr. Chairman, I would like to make some brief comments on some of the recommendations we have made with respect to legislation.

Chairman RICHARDS. Do you want to make those now or later?

Mr. PORTER. If it is agreeable to you, I will make them now and I think I can do so briefly.

In the draft legislation which has been prepared by the executive branch, we propose that there should be certain modifications of the section concerning counterpart.

We would like authority in the legislation to permit the wider use of 95 percent counterpart funds, that is, the 95 percent that is available for general program purposes.

We would like to have a specific authorization to use that to promote military defense efforts; and also in this legislation, as we have indicated, a general indication of the priorities which should guide us in approving the use of counterpart.

Chairman RICHARDS. Ninety-five of all counterpart?

Mr. PORTER. You see, 5 percent of the counterpart is reserved for administrative and other United States purposes. I am talking now about the remaining 95 percent.

Mr. VORYS. You mean to use outside the country or within the country?

Mr. PORTER. Within the country. All of this 95 percent would be used within the country. I believe that we now have the authority to use it for these purposes.

(Discussion off the record.)

Mr. PORTER. We would like to have an expression of priority.

Mr. HERTER. I wonder if we could have a clarification of that at this point? There has been a good deal of discussion about counterpart in the past.

The position taken by ECA has always been in regard to the 95 percent that they did not want to retain more than the veto power over its use and did not want original jurisdiction whatsoever.

They said they wanted to leave that to the country. This is a reversal of the position, in which you want to have the initial say as to the whole sum, 5 percent being reserved for administrative purposes, and the 95 percent to be spent only as you direct for military purposes; is that correct?

Mr. PORTER. Mr. Herter, this is the first time I have appeared before the committee, and I am not fully familiar with what we have stated in the past.

I think that it would be correct to say that based upon our experience, we have reached the conclusion that we should exercise a more positive influence over the use of counterpart.

What we propose to do during this coming year is to reach an agreement with a country receiving aid as to how they will use the counterpart before dollar aid is allotted to them.

In other words, we want to know before we grant the dollars not only how they will use the dollars, but how they will use the counterpart generated by those dollars.

The purpose of that is to direct a considerable part of the counterpart into rearmament.

Another purpose is to use a part of the counterpart to encourage increased productivity through our productive program.

Mr. VORYS. You said that before you will grant it you will get an agreement as to how it will be used. In the past it has been that you had to get an agreement as to how it is to be used before you could spend it.

I am wondering if this is very much of a change. Prior to this you had the veto; they had the veto, too.

If your proposal is, legislatively, as you stated it, that you make an agreement with a country as to disposal of counterpart before you give them the money, they still have a veto over counterpart——

Mr. JUDD. Over the counterpart they do not get.

Mr. RIBICOFF. Is not this a better deal for the United States? I do not interpret it the way Mr. Herter does, that it makes us the absolute boss and we still have to get their agreement.

Basically, we are using the counterpart funds for military production. And to the extent that you increase military production there, that means less funds from us.

Mr. HERTER. I am entirely in favor of our present arrangement. When we first came to this and the first recommendation was made to us, it was that the counterpart funds be used in this way and we were overridden by the testimony that was given here.

We were told that would hurt the sensitiveness of a lot of the European countries, and that it would not be workable that way. I am interested in the shift of attitude.

Mr. JUDD. I raised the question specifically with Mr. Hoffman because I fought for that position in 1948.

Mr. RIBICOFF. It shows that it takes 4 years for an idea to come to fruition.

Mr. VORYS. I understand from reading the report of the fellows who went abroad that one of the problems is to get these European countries to buy from each other in military production.

I think there is still a limitation on the use of counterpart outside the country. Some of us would be glad to see authority given to spend lira in Belgium or francs in Belgium, to procure military stuff for Italy or France from Belgium. That is part of your proposal?

Mr. PORTER. I was just coming to that. I think it is the point you have in mind. We would also like to request authorization in the new legislation to use the 5-percent counterpart that accrues to us for administrative purposes, to use that outside of the country of origin.

Then there is another point I am going to make in connection with that in a moment, which I may as well do now.

Mr. Ribicoff. Before you leave the 95 percent, I have the impression from a statement that Mr. Foster made, or someone else may have made, that you will take all these counterpart funds and, going along with Mr. Vorys' thinking, pool all those counterpart funds.

You have a European Payments Union where the United States puts up X amount of dollars. Go one step further and take all the counterpart funds and use that as a pool to have that distributed by OEEC to the ECA nations.

Is there any interest on your part to do that?

Mr. PORTER. We are always interested in the idea.

Mr. Ribicoff. And is the idea worth anything?

Mr. PORTER. If I understand you correctly, what you have in mind is that the 95-percent counterpart is used by the United States----

Mr. Ribicoff. No, OEEC.

Mr. PORTER. Outside of the country of origin?

Mr. Ribicoff. Let us say that you have a situation where Belgium is plus over-all and Greece and Italy are definitely minus.

You would take some of the Belgium funds that is in the counterpart fund and allow Italy or Greece to utilize that for some purpose that is for the mutual benefit of all the OEEC nations.

Mr. PORTER. I see what you have in mind, Mr. Ribicoff. I think we are already achieving that purpose. A year ago the European Payments Union, where some countries were earning a surplus, like Belgium, a surplus in intra-European trade, and the United Kingdom, have themselves extended aid to other European countries through the mechanism of the European Payments Union.

Mr. Ribicoff. This proposal of yours to use counterpart funds for defense in individual countries, basically that would be anti-inflationary, too, would it not?

In other words, by using these funds that have been set aside for military purposes, and since the Government would have to go into a military purpose program, it would avoid the necessity of issuing additional currency or financing a defense effort and would act as an anti-inflationary force in that country itself. Inflation is one of the greatest dangers of the entire military effort, as the gentleman from Wisconsin has been pinpointing all through these hearings.

Mr. PORTER. It could have that effect in a certain limited degree, depending on how the fund would be administered.

It can be, I think, anti-inflationary in the sense that it is not necessary to have it result—I would like to withdraw that statement, Mr. Ribicoff—on balance I do not think the use we have proposed here would have any anti-inflationary effect.

Mr. HERTER. Burning it up would do that best, would it not? Burning up the counterpart, that is.

Mr. PORTER. Yes. That would be better.

Mr. VORYS. Just to get this straight—and Mr. Cooley or some of the lawyers can correct me—was it not last year that we cut out “within such countries for such purposes as may be agreed upon” and put in “in furtherance of any central institution or other organization formed by two or more participating countries” to further the purposes set forth in the EPU section?

Mr. COOLEY. That is correct, Mr. Vorys. In effect, last year the “within such countries” limitation was knocked off as far as the 95 percent was concerned. It was retained as far as the 5 percent was

concerned, and this year we are suggesting that it be removed with respect to the 5 percent.

Mr. VORYS. How much of it has been used for EPU purposes? Under this change we made last year, has much of the counterpart been used outside the country of origin for European Payments Union purposes?

Mr. PORTER. I do not believe any has been used directly for the European Payments Union. An equivalent result has been obtained by the contribution which the British and the Belgians have made to the capital position of the European Payments Union, but I believe we are correct in saying that no counterpart in any country has been transferred to the European Payments Union.

Mr. VORYS. Why was that?

Mr. PORTER. I think the answer to that would be that the same purpose has been accomplished by the initial deal which was established for Belgium and for the United Kingdom. That is, when they contributed an equivalent amount of sterling, or of Belgian francs, the same purpose was accomplished as if the fund had been taken from the counterpart.

Mr. VORYS. Except to this extent, that it left the counterpart to the extent of those contributions subject to a veto by us. I wondered whether it was at our instigation or theirs that they did not use counterpart for those contributions under this provision of law.

Mr. PORTER. Mr. Vorys, this relates to some past history with which I was not associated.

Mr. COOLEY. Perhaps I can give some of the past history.

Mr. VORYS. Is this proper, Mr. Chairman?

Chairman RICHARDS. Yes.

Mr. COOLEY. It is my recollection that the provision which permitted the use of the 95-percent counterpart in support of the EPU was one which was included in the legislation last year as a matter of caution. It is my recollection we advised you then that we did not see very much likelihood that the local currency counterpart would be used in that connection, but when it was suggested in this committee that it might be advisable to make it available in case the need for it did arise, we were more than happy to see that provision.

When we were here before you last year the EPU, or full details of the EPU, had not been worked out, and there was some thought that this might be a valuable provision.

As Mr. Porter said, in fact the way it worked out the same result was accomplished by other means, so we have not had occasion to take advantage of this provision in the EPU connection.

Mr. PORTER. In connection with counterpart, Mr. Chairman, there is one other recommendation I would like to submit to the committee. That is, that we be authorized to use some of the 5-percent counterpart for what we would call operating as well as administrative expenses. Heretofore we have been restricted to the use of that 5 percent for administrative purposes, as contrasted with operating proposals.

When we speak of operating purposes, what we have in mind specifically is to use some of this to pay for technical assistance, that is, the local costs of technical assistance, and to use it in support of the productivity program.

Those are the three recommendations that we have incorporated in the proposed legislation, and which I mention now so that we can have a discussion of them.

Mr. RIBICOFF (presiding). I may state that the chairman suggested in view of the way this discussion was going, and since we are on this technical aspect, it might be advisable to allow freedom in asking questions from any part of the table, instead of confining ourselves to the 5-minute rule. It is a good suggestion. Whoever wants to ask questions will take into account and consider the other members.

Mr. JUDD. Mr. Chairman.

Mr. RIBICOFF (presiding). Mr. Judd.

Mr. JUDD. Does this suggestion for changes with respect to use of the 95 percent of counterpart apply to the STEM countries too, that is, the underdeveloped countries, where ECA is working? Would you try to use most of the counterpart in Burma or Siam for building up their military strength, rather than improving their economic conditions?

Mr. PORTER. I doubt if we would wish to do that, Mr. Judd.

Mr. JUDD. You have in mind primarily the ECA countries?

Mr. PORTER. Yes. We are speaking now of the countries of Europe under title I.

Mr. JUDD. I myself think the initiative and the dominant position in the control of counterpart everywhere ought to be in the hands of our Government. However, I think it would be a mistake to write into the legislation that they must use all these funds for military purposes or give priority to that in some of the backward countries where there is not anything to support a military effort until the economy is strengthened.

Mr. PORTER. Yes. I would entirely agree with you on that, Mr. Judd. What we are proposing here is that this be permissive authority rather than a mandatory direction to us. But in the countries of Europe we would propose to use a considerable part of the counterpart for military purposes, and I doubt very much that we would wish to do so in southeast Asia.

Mr. JUDD. Mr. Acheson said, when I asked him about counterpart, "I most earnestly hope the present method will be continued."

Later he said he thought the way we now do these things has been working very well, and that ought not to be changed. Of course, while it does not need to be done this way, in essence your suggested changes would amount to telling them "You have to agree on what we want to do with counterpart, or you are not going to get the aid." That is a powerful whip in our hands.

That is all.

Mr. VORYS. Are you going to give us a statement such as we have had in the past of what the billion and a half dollars is going to be spent for?

Mr. PORTER. In terms of commodities?

Mr. VORYS. In a commodity breakdown.

Mr. PORTER. We will give you an estimate of how we think it will be used for commodities.

Mr. VORYS. We have always had before a showing of what the ERP countries needed and what they could get with their own, and what the deficit was in the dollar area. Now, as I get it we are going to hear sometime or other how this billion and a half dollars is connected up with increased military production. But we are going to be at the place, Mr. Chairman, where it will not make much difference which dollar they use—the dollar they earn or the dollar they get from us to

procure their needs. What we need is a total table of dollar-area needs, and the dollar-area earnings and then the dollar deficits.

I wondered, is not just about that same formula in force in this program?

Mr. PORTER. It is, sir. The commodity tables, as a matter of fact, are included in this thick encyclopedia I have given you. I would be glad to expand on that at any time you wish.

Mr. CHIPERFIELD. Mr. Chairman.

Mr. RUBINOFF. Mr. Chiperfield.

Mr. CHIPERFIELD. When you use this balance of payments formula which you described very well—and I was glad to have your description—I have always been worried when you pay the difference between what is exported and what is imported. Where is the incentive to cut down the needs? Why is there not a temptation to keep needs up?

I realize you screen them and all that, but I have always wondered about the soundness of such a formula. Would you comment on that?

Mr. PORTER. I think you are quite correct, Mr. Chiperfield, in your statement that there is an incentive on the part of the recipients of aid to try to keep their import levels up, and to that extent there is a danger that our aid might weaken their incentive to stand on their own feet.

Mr. CHIPERFIELD. That is the reason you have to screen those needs very carefully, of course.

Mr. PORTER. Right. I do not think our balance of payments estimate in itself is any control over the amount of aid. It simply enables you to get a better estimate of how much aid is needed. But through the administration of the funds that are given to us where we exercise the control is to provide screening of the procurement applications.

Mr. CHIPERFIELD. I would like to ask you one more question.

How do you feel the European Payments Union has worked?

Mr. PORTER. We feel it has worked quite well.

Mr. CHIPERFIELD. I would like to ask you one additional question.

Do you feel we should give a grant to the Schuman plan?

Mr. PORTER. We have given a great deal of thought to that, but we reached the conclusion that they probably should not.

Mr. CHIPERFIELD. Would you believe a loan would be better?

Mr. PORTER. Yes. I would personally feel a loan would be more desirable than a grant to the Schuman plan as a central institution.

Mr. CHIPERFIELD. Thank you very much.

Mr. RUBINOFF. Mr. Smith.

Mr. SMITH. Mr. Porter, is there much unemployment in these countries that are receiving aid?

Mr. PORTER. There is considerable unemployment in Italy, some in Greece, some in Western Germany. In fact, there is still a substantial amount in Western Germany. In the Northern European countries, no. There is very little in France.

Mr. VORYS. In Austria?

Mr. PORTER. Some in Austria, and some in Belgium, I would say.

Mr. SMITH. I would like to ask you the question I have asked these other men who preceded you. I think possibly you had an interest in this, namely, why are not the workers of these countries sharing in the increased productivity? Have you made any study?

Mr. PORTER. Yes, we have.

Mr. SMITH. Has the ECA made some study of it?

Mr. PORTER. Right, and I would be very glad to comment on that now.

Mr. SMITH. I wish you would.

Mr. PORTER. We believe that one of the most important jobs that we have ahead of us this year is to encourage a substantial increase in productivity which can come about in several ways. It is mostly through technical assistance by sending the best of American management, and some of our best labor leaders, to work with Europeans in increasing output with the equipment that they already have. In a few instances it might result in the introduction of some new equipment, but most of it is straight technical assistance.

However, we also believe if we are to get an adequate response on the part of the workers in a country like France, that it is necessary to share, or the benefits of increased productivity should be shared with the workers. In fact, we look to a three-way sharing of the benefits—to management, to the workers, and to the consumers through lower prices.

Mr. SMITH. You would not think that it would be advisable to subsidize the workers? I am as interested as you are, I am sure, in this increased standard of living for these people.

Mr. PORTER. Yes.

Mr. SMITH. How some of them live is a mystery to me, and I do not think that that story is generally known by the American people. It certainly was not known to me until we got into this matter, and until I, as a matter of fact, went to Europe and to France just a few weeks ago.

Now, when I look at these figures you gave us this afternoon about the national income for 1951 per capita, it is more revealing.

As I said the other day, until we put our finger on that and begin to do some thinking on trying to solve the problem, I do not think we are going to make much progress in the fight we are making against communism. I do not see how we can do it until we do something for the people.

Mr. PORTER. I entirely agree with you, Mr. Smith. In the agreements which we will have with any firm when we undertake to increase the productivity for that firm, there will be an agreement that the benefits will be shared with the workers, and also that the manufacturer will undertake to reduce prices as he is able to increase his productivity.

Mr. SMITH. Have you explored that in any way? For instance, I could see where it would just run head on into a terrific resistance on the part of management and on the part of those who are selling to the consumer. Do you think there is a reasonable chance that industry is going to be willing to take over there?

Mr. PORTER. I think there is a reasonable chance that some parts of industry will do it. Mr. Joyce, who is our Assistant Administrator for Production, is himself an experienced industrialist, and is president of the Joyce Shoe Co. He has just come back from about 5 weeks in Europe, during which time he met with many dozens of European industrialists. He had very encouraging discussions with a younger group of French industrialists.

It also became quite apparent to him there would be very strong resistance from some of the industrialists whose theory of management

is to get a large profit on a small turn-over, and who deliberately restrict production, and therefore are not very much interested in a higher productivity.

However, I think by working with the more progressive industrialists in France and in Italy, and especially among some of the younger industrialist leaders, we will be able to break down this restrictionism which has stifled European production for so many years.

Considerable progress, as you probably know, has already been made in England, where for the past 2 years we have had what is known as the Anglo-American Productivity Council, with Phil Reed, of General Electric, as the principal American member. The British industrialist who is his counterpart, Sir Norman Kipping, is one of the outstanding industrial leaders of Great Britain.

We have also had an A. F. of L. man and a CIO man serving on the American team of this Anglo-American Productivity Council. The results in England have been quite encouraging.

Mr. CHIPERFIELD. Will the gentleman yield?

Mr. SMITH. Yes.

Mr. CHIPERFIELD. We were told a story in England about a man who made shoes. He came over and studied our ways and increased the production of his shoes, and was resented very much by the others.

Mr. SMITH. That is right.

Mr. CHIPERFIELD. Do you remember that story?

Mr. SMITH. Surely.

Mr. PORTER. That is quite true. We have had French industrialists tell us their credit would be immediately cut off if they were to undertake a productivity program, which they would like to undertake. I think we have a very hard battle there in breaking through these old restrictive habits, but we still believe it can be done.

Mr. JAVITS. May I ask this question, Mr. Chairman?

Mr. RIBICOFF. Yes.

Mr. JAVITS. Would it not be a way to break this if we find a way to make credit available ourselves instead of through government machinery or the local banking system, which would block you, and often does, as you say yourself? That is, find some way of making credit available directly to business organizations which are going to give you this kind of a quid pro quo. Perhaps we ought to operate to some extent through the International Bank, which has shown an ability to set up banks in countries like Turkey, such as industrial loan banks.

Mr. PORTER. We have contemplated it, Mr. Javits, as a possibility out of the counterpart fund. That is particularly the 5-percent counterpart fund which is available for our exclusive control.

In addition to that, we have also contemplated perhaps directly supplying manufacturers with raw materials who have been threatened that their raw materials would be cut off if they increased wages.

Mr. SMITH. Will the gentleman yield?

Mr. JAVITS. Certainly.

Mr. SMITH. I think you would be interested in knowing, Mr. Javits, that it was suggested to Paul Hoffman's organization by a Frenchman that this matter of credit was so important that the Ford Foundation do something along that very line, because the banking interests in France have been stopping or preventing the flow of credit to those firms that want it.

Mr. Hoffman's response was that he did not think that was their field. But there is a field there for someone.

Mr. PORTER. We have given serious thought to that.

Mr. JAVITS. It leads to the fact, as I see it, that the governments, I am sure, without asking you, will assure you that everything is O. K. and they are taking care of it. We know they are not, and our own representatives have found they are not.

Perhaps instead of just talking about getting tough we can still speak very amiable—and I believe that has been the appellation applied to our ECA representatives that they are amiable—we can still speak very amiable, but lay it on the line. After all, that is far more eloquent. You do not talk tough, but just have to be tough and take the governments at their word and say, "All right. If you assure us it is being done or going to be done, let us just do it."

Mr. PORTER. Well, sir, of course we want to persuade the governments to go all the way with us in this, but we have reached the conclusion ourselves that if the governments are not willing to go all the way, that we should nonetheless go ahead with the productivity program, dealing directly with those progressive industrialists who are prepared to take advantage of modern machinery and modern ways of doing things to increase their total output and to share the benefits with their employees.

Mr. JAVITS. I hope you will bear in mind when you do that too, that as in our relations with countries, so in our relations with a firm. If we do it and if we are going to carry them along, we have to remember that we have to see them through it, because they are likely to be, for a while anyhow, very much in disfavor with their competitors. If they think we are going to give them just a short-term proposition of a single-shot deal, they are not going to play ball with us. They have to live with their competitors, and we have to make it possible for them for a while to live with us.

Mr. PORTER. We have already discovered that is one of their major fears.

Mr. SMITH. Have you given any thought as to how much you might spend in the budget for this purpose?

Mr. PORTER. Much of the expenditure will be out of counterpart. Relatively little dollar aid will be required. Such additional dollar aid as would be required would come out of our technical assistance funds, for which we are requesting \$20,000,000. The remaining dollars up to \$60,000,000, will come out of the funds requested for direct country aid.

We have also planned to use, in addition to these \$60,000,000, as much counterpart as necessary in support of the productivity program. This may go as high as \$250,000,000 equivalent in counterpart.

Mr. VORYS. What?

Mr. PORTER. \$250,000,000, or the equivalent of \$250,000,000, out of the counterpart funds.

Mr. VORYS. If somebody will yield to me, that contemplates that the counterpart fund would be spent substantially for technical assistance, and that that amount would not involve subsidies to plants or workmen or anything like that. Is that not true?

Mr. PORTER. We have not thought in terms of subsidies because we feel a subsidy would in itself be a contradiction of increased productivity. It might mean some part of this could be used for loans,

that is, for credit purposes. But that is something we have not yet faced. We are just getting this program under way.

Mr. Smith, you asked a question a moment ago about subsidies to the workers. The British Government does grant some subsidies now on food, and at least in the recent past has on lower-priced textiles. On the whole we do not encourage a subsidy because they think it is much better to try to solve the problem by an increase in wages.

Mr. SMITH. I agree.

Mr. JUDD. On that point, Mr. Porter, when you were giving the figures awhile ago of the per capita share of the national income in various countries, did you include the subsidies they get back? For example, an Englishman on the average may get \$631, but then he gets \$200 more in subsidies for his food and other items if he has a big family.

Mr. PORTER. That does not show up in this particular connection because what we have done here is take total national income and divide it by total population.

Mr. JUDD. But the discrepancy is not quite as great as the figures on our per capita income and theirs seem to suggest. Is that not true?

Mr. PORTER. The discrepancy is not quite so great for the workers in England.

Mr. JUDD. Where they have subsidies.

Mr. PORTER. That is right.

Mr. SMITH. In other words, it is more than \$631. We ought to be clear on that.

Mr. PORTER. Yes.

Mr. JUDD. He gets \$631 plus the subsidies.

Mr. PORTER. You see, when we are speaking of this \$631, this is the average per capita national income arrived at by dividing the total national income by the total number of people.

(The following information was submitted by Mr. Porter for the record.)

SUBSIDIES AND NATIONAL INCOME

The figures on national income per capita represent the total income of the economy from all sources (omitting duplications) divided by the total population. Subsidy payments have the effect of transferring income from one income-recipient to another, without increasing the total amount of real income for the economy as a whole. Thus, it may be said that subsidies are included in the figures for national income per capita.

Inclusion of subsidies in national income is indicated by the computation showing the relationship between national income and gross national product. The following table shows this computation for the United Kingdom for 1950, with partial estimates for 1951.

Item	1950	1951 ¹
Gross national product (at market prices)	\$37,985,000,000	\$40,335,000,000
Minus depreciation	3,166,000,000	3,135,000,000
Equals net national product	34,839,000,000	37,200,000,000
Minus indirect taxes	5,824,000,000	4,963,000,000
Plus subsidies	1,341,000,000	
Equals national income (at factor cost)	30,356,000,000	32,237,000,000
Population	50,800,000	51,100,000
Per capita gross national product	\$748	\$739
Per capital national income	\$598	\$631

¹ Estimated.

The figures have been converted into dollars at the rate of 1 pound equals \$2.7988.

Mr. JUDD. That is right.

Mr. PORTER. So far as the workers in England are concerned, I think that the American workers are probably not $3\frac{1}{2}$ times better off than they are; perhaps $2\frac{1}{2}$ times.

Mr. REECE. In connection with the subject of increasing productivity, I understand there have been committees brought over here to go through our plants with a view of observing our methods of production, I assume.

I am advised that a committee representing the furniture industry came over recently, and one of the professors in North Carolina was contacted with a view of making up a list of the companies which he might suggest should be visited. This he did. The list comprised five or six of the larger and what was generally recognized as very efficiently operated companies in the industry. He was then advised by the office up here that they were not the companies which it was desired that this committee should visit, and they suggested two much smaller companies, which were not as well known in the industry.

The professor then told them that, if that was the way the tour was desired to be conducted, he did not want to have anything to do with it. He was then told to have them visit the four or five or six companies which he suggested, but also take them to the two companies that had been suggested by Washington.

Would those visits be made under the auspices of the ECA or the State Department?

Mr. PORTER. I am just not informed about that particular instance, Mr. Reece. The kind of project it was would sound as though it was an ECA technical-assistance project.

Mr. REECE. But in the furniture industry it did not inspire a great deal of confidence on the part of the people in the industry in ECA or whoever was sponsoring the visits.

It would seem to me it is something that ought to be looked into by you. I do not know just what the purpose was, of course, in originally proscribing the visit to the suggested companies. The committee was to visit these, let us say, these more widely recognized companies, and then your office suggested two other companies not so well known. Evidently, the professor who had been contacted took it pretty seriously, because he was about to withdraw from the project himself.

Mr. PORTER. Yes. I will undertake to get all the facts for you about that. I am just not informed at all about that particular one. It occurs to me that possibly the two smaller furniture factories were more comparable to the kind of factories you find in Europe.

Mr. REECE. It happened to be that they had different labor relationships than the other companies did.

Mr. PORTER. Yes.

Mr. REECE. They were strongly unionized, speaking frankly, whereas the others were not.

Mr. PORTER. Yes.

Mr. REECE. That is all.

(The following was submitted for the record in answer to the inquiry by Representative B. Carroll Reece of Tennessee to Mr. Paul R. Porter regarding visit of technical-assistance group, OEEC-59.)

An OEEC group representing the furniture industry visited the United States, in connection with the ECA technical-assistance program, to study the mass pro-

duction of furniture. The American Forestry Association handled the project under a contract with ECA. The association engaged Professor Johnson of North Carolina State University to arrange plant visits and to act as a project escort to the various plants.

A list of prominent furniture manufacturers in the High Point area of North Carolina was forwarded by Professor Johnson. The ECA labor advisers raised objections to visits by the OEEC group to plants not under contract with a union and advised that small plants having contracts with unions should be substituted for some of the plants listed by Professor Johnson. We informed the American Forestry Association accordingly and suggested that the advice of the labor advisers be followed by canceling out some of the plants listed by Professor Johnson and substituting some of those suggested by our labor advisers. As it worked out, five large and two small plants were visited.

Mr. RIBICOFF. Mrs. Kelly.

Mrs. KELLY. Thank you. I prefer my question off the record?

Mr. RIBICOFF. Certainly.

(Discussion off the record.)

Mr. RIBICOFF. Does anyone else have any questions?

Mr. MERROW. Mr. Chairman.

Mr. RIBICOFF. Mr. Merrow.

Mr. MERROW. Mr. Porter, in your introductory remarks you said you would speak about the productivity goals in reference to armaments in the various countries, and as to how they were reached. I wonder if you would comment on that.

Also, in view of what has been said in reference to productivity, answer this question: Has it been difficult to get the governments to accept the productivity goals?

Mr. PORTER. So far as productivity is concerned, there has been no difficulty in getting the British to accept the goal of higher productivity. Mr. Hoffman over 2 years ago proposed to Sir Stafford Cripps, who was at that time Chancellor of the Exchequer, that there should be a productivity program, and that was very promptly accepted by the British.

We have found the continental countries have taken much less interest in productivity, although very recently we have gotten some encouraging responses from the French and from the Italians.

As to military production, we have not found any of the countries thus far who have come forward with military budgets as large as we think is desirable.

Mr. MERROW. Or as large as they could stand at the present time?

Mr. PORTER. That is right. Because what we have assumed to be desirable is equivalent to what we think they are capable of doing. We are not requesting them to do more than we think they can safely do.

I would be very glad to read to you, if you wish, our estimate of what we believe they can do in this coming year in the way of military expenditures.

Mr. MERROW. I would like to hear that; but, while we are on that particular point, is it safe to draw the conclusion that they are not doing what they should do to help themselves?

Mr. PORTER. In our judgment they are not. They are not doing enough.

Mr. MERROW. They are not doing enough. You are talking about continental Europe, I think.

Mr. JUND. Are your comments limited to two or three countries, or is that a blanket statement with regard to all NATO countries?

Mr. PORTER. It would vary, Dr. Judd, I think.

(Discussion off the record.)

Mr. PERKINS. It might be useful, I think, if I read into the record here some additional figures that we have which I think are interesting, on the percentage of gross national product which these various countries are taxing themselves.

The United Kingdom is at the top of that list, with 33.7 percent.

Mr. REECE. Which country is that?

Mr. PERKINS. The United Kingdom.

Mr. JUDD. This is not for defense, but their total budget?

Mr. PERKINS. No. Their total budget. It gives you some idea of what they are putting on their own taxpayers, and therefore you can judge what they can do by further efforts in that direction.

Norway is 31.8 percent; the Netherlands is 28.4 percent; France is 27.3 percent; Italy is 24 percent; Belgium is 19.6 percent; and Denmark is 18.8 percent.

That contrasts with what we are now taxing ourselves, as about 24 percent, which will go up probably to 26 percent if these new tax bills go through.

So that you can see most of these countries are already pretty heavily burdened.

Now, I should think it was unlikely to expect you would get a very much higher percentage of income into taxes in some of these countries.

Mr. RIBICOFF. Mr. Perkins, the way the tax is distributed there, if you had a proper type of taxation that was fair and equitable, you could probably get a lot more money without hurting the people in the great base of the population.

Mr. PERKINS. I think it becomes very questionable, when you get these high percentages of taxes, that you could get very much without putting a good deal of them on the general public. I think we found in this country that beyond a certain point you cannot get much out of soaking the rich. We do that, but still our percentage of taxation is relatively low.

Mr. RIBICOFF. The rich there pay nowhere near the proportion the wealthy groups pay in this country.

Mr. PERKINS. That is correct, I think.

Mr. JUDD. There is another factor in it, though: You take the ones with the high rates like England and Norway. The biggest items in their expenditures are the social programs that they finance out of tax funds. The Government takes their money and then gives it back to them; so, the fact is that it is not taxes for Government purposes. It is taxed away from the public to go back to the public in wealth-distribution programs or health programs, or false teeth, or whatever the thing may be. Therefore, the tax rates are not fair figures for comparison.

Mr. PERKINS. That is about what it was to come to. What this leads you to think is that the best prospect of getting any substantial further funds for defense is in the switch in their internal expenditures.

Mr. JUDD. That is right.

Mr. PERKINS. Rather than any great expectation in most of these cases that you can increase greatly the total taxation load. That becomes a very difficult thing, you know. Once you establish a social benefit it is very hard to remove it from the public, and they have a very hard problem on their hands.

I agree with Mr. Porter that most of them can and should do more, but I do not think we can expect it in the immediate future. I think we have to wait until their economies get stronger before we can hope for improvement in most of these figures.

Mr. MERROW. What seems to be difficult for me to do is to justify the authorization and the appropriation of many billions of dollars in arms assistance to these various countries when you gentlemen admit they are not doing as much as they ought to do to help themselves.

(Discussion off the record.)

Mr. PORTER. What we hope is that, through the negotiations which are now being conducted with the NATO countries, they will be induced to make a greater military effort than they are now doing.

Mr. MERROW. That is a hope, but the point I have been making all along is why should not the extent of our aid be commensurate with their help and cooperation, or why should it not be tied to it?

Mr. PORTER. Well, it is. Necessarily, this year. Because, if they do not make the military effort which we have estimated that they can make, then they are not going to be in need of as much aid, and the amount of aid we will give will be reduced.

Mr. MERROW. That will be with administrative discretion.

Mr. PORTER. Right, sir. It is impossible to know at this time precisely what military effort they are going to make and, therefore, what economic aid is needed; but I can assure you we do not intend to grant any aid unless that aid is fully justified by the facts.

Mr. MERROW. Both military and economic. You said that is true of the economic aid. But now, how about the military assistance? The same principle is going to apply on the end items; is it not? It is over \$5,000,000,000 that we are going to give in military end items.

Mr. PERKINS. Yes.

Mr. MERROW. Now, if they do not live up to expectations, does it mean that that aid is going to be curtailed, as well as the economic aid.

Mr. PERKINS. I think that is a question that we would have to consider very seriously. It depends in what items they do not live up to their expectations. If they do not raise the troops and they cannot use the military end items, of course they should not be sent. However, if they are willing to raise and train the troops and we do not send the equipment, we do not have the force in being that we are all so anxious to have.

I think that becomes a very delicate question of judgment as to what you would do under those circumstances. It also depends in what respect they fall short, and what kind of items they fall short on.

(Discussion off the record.)

Mr. MERROW. The only way this assistance, so far as I have been able to learn, is tied to what they can produce themselves is through administrative discretion; is it not?

Mr. PERKINS. I think there is no fixed rate or balance you could establish that would be safe to operate on.

Mr. RIBICOFF. Mr. Hays wanted to ask a question.

Mr. HAYS. I was going to bring up again a question which I asked General Marshall. I do it just for the purpose of emphasis. That is, in terms of sacrifice, you simply cannot measure participation on the basis of the percentage of gross national product devoted to

national government. I mean by that, if the Netherlands, for example, with 28 percent, you say?

Mr. PERKINS. Yes.

Mr. HAYS. If with her 72 percent remaining she still has a standard of living which is, we will say, half that of the American standard, then you get another factor that has to enter into it, because of the point that there is a limit beyond which no government can go in pressuring its people into further sacrifices.

I think that is something that has to be in the background of our thinking on standards of participation. That is not the final answer, of course. I mean, you do not dismiss the problem by saying their standard of living is so much lower, but it does affect the decisions.

That is a fair statement; is it not?

Mr. PERKINS. I agree with that.

Mr. HAYS. There is another point I want to develop in that connection.

It seems to me—and I keep coming back to what General Eisenhower had to say about the team spirit—it is that intangible quality that just cannot be allowed to be lost in figures and statistics.

I am expressing my own personal views here when I should be questioning, but I am at least inviting comment on it.

Here we are in a position to provide leadership in production and in economic strength, and the team spirit is vital to that; is it not? After all, the coach does not say because the left end is not doing his part, "Now, I am just not going to issue you the same equipment I am giving the right end. The right end is carrying his load, so that he is going to get the equipment, but you do not get head gear or you are not going to get shin protectors because you are not doing your part." That is the way I see it, in terms of teamwork. The coach might put him off the team, but if he is on the team he must be respected.

Mr. JAVITS. What standard of living is the balance-of-payments basis for the economic aid designed to give to the countries which are going to receive that aid? Is it the 1950 or 1951 standard, or which is it? What are you shooting at now in the coming fiscal year?

Mr. PORTER. I believe, Mr. Javits, you were out of the room when I commented on that.

Mr. JAVITS. Then do not answer it again.

Mr. PORTER. In some countries, particularly in the northern European countries, we understand or contemplate a reduction in the standard of living. In some other countries, as in Italy, where there will be a number of the unemployed drawn into war industry or defense industry, we anticipate that there will be an over-all increase in the total level of consumption, which is what happened here in the early forties.

We anticipate that the highest level of consumption will be in Italy in relation to the past year. There we estimate it at about 4 percent over the present year.

Now, bear in mind Italy has also one of the lowest per capita incomes. After defense expenditure we estimate that the national income per capita in Italy this year will be \$266.

Mr. JAVITS. Are you planning to set up any kind of a table on this which could be used in the debate?

Mr. PORTER. Yes. I have already read some of this into the record, but I would be very glad to supply you with a complete statement.

Mr. JAVITS. That would be very important. You could set up a table for us that will be used in the debate. Bear in mind this will not be classified.

Mr. PORTER. This is not classified information.

Mr. JAVITS. If we could have a table like that it would help us a lot. Also, you are going to prepare this table on the amount of gross national product which is being devoted to defense, and also which is being taxed off by the NATO countries, as you have given it to us.

Mr. PORTER. We will submit that statement for the record, Mr. Javits.

(The information requested is as follows:)

Gross national product, national income, defense expenditure, and balance remaining after defense expenditure—9 European NATO countries and the United States

(Country's fiscal year beginning in 1951)

Country	Gross national product: total	Amounts per capita (dollars)		
		Gross national product	Defense expenditure	Balance of GNP remaining after defense expenditure
	<i>Millions</i>			
Belgium-Luxemburg.....	\$4,877	764	31	733
Denmark.....	3,500	812	22	790
France.....	24,169	668	62	606
Italy.....	16,016	344	20	324
Netherlands.....	5,768	560	36	524
Norway.....	2,064	624	29	595
Portugal.....	2,073	237	6	231
United Kingdom.....	40,335	789	70	719
United States.....	330,000	2,143	303	1,840

	National income: Total	Amounts per capita (dollars)		
		National income	Defense expenditure	Balance of national income remaining after defense expenditure
	<i>Millions</i>			
Belgium-Luxemburg.....	\$5,631	626	31	595
Denmark.....	2,927	679	22	657
France.....	22,852	542	62	480
Italy.....	13,309	296	20	276
Netherlands.....	4,568	446	36	410
Norway.....	1,772	535	29	506
Portugal.....	1,889	216	6	210
United Kingdom.....	32,237	631	70	561
United States.....	295,000	1,916	303	1,613

Source: Economic Cooperation Administration, Division of Statistics and Reports, July 19, 1951.

Mr. JUDD. Mr. Chairman, going back to the question that Mr. Merrow and Mr. Hays were talking about, is not this the fact? They all want economic aid, and we can use our economic aid as a lever to get them to do certain things. A lot of them do not want the military aid, and we are in a sense coaxing them to get going on their defense programs. They are the ones who are dragging their feet and not we. Is that not true?

Mr. PORTER. I think, Mr. Judd, that they want military aid, but we feel they are not doing enough in the way of a military effort on their part; but they do want the military aid. I think you might ask General Scott if he has to coax anyone to take military aid.

Mr. RIMCOFF. General Scott is listed as a witness tomorrow. I thought he would probably develop the whole program then.

Mr. JUDD. We were told that the reason for their not building up military in the beginning was that it seemed hopeless. The odds were so great against them, that what was the use of going into a program which could not check and in a sense might provoke the very attack they were trying to avoid. So they had to be convinced they had a chance.

I think you spoke of that in your statement this morning, Mr. Perkins. You had to convince them it could be done before they were willing to make an effort which otherwise they felt amounted to something being thrown down the drain. I have come home from Europe convinced that they have turned the corner. As greater visible strength developed, the morale has evidently improved, and as the morale improves the whole effort immediately begins to accelerate.

I think you are through the worst of the doldrums in the program.

Mr. HAYS. Let me peg that to what I had to say a few moments ago. If they have not turned the corner, in other words, if the total contribution from the individual nations is not satisfactory, then the whole thing falls, of course, and we are out. But at this stage it would be folly for us not to proceed as if the team spirit is going to put the whole venture through.

I am just exploring it on the basis of some of the intangibles as well as the tangibles, but I associate myself with Dr. Judd on that, and I feel just as the members feel after their trip to Europe that even if some of the countries have dragged their feet in the past they are getting the team spirit now and this is the crucial point.

Mr. JUDD. For example, if I were a Dane with no natural defenses and with the Russians in Lubeck, what incentive in the world would there be for me to reduce standards of living and tax myself for an armament program which by itself simply cannot do any good? The Russians can walk in whenever they want to. It is only as a part of a team, that you can ask or expect them really to put their nose to the grindstone.

Mr. PERKINS. That is exactly right, and there is no question about that.

Mr. PORTER. I would like to express my agreement with what both you and Mr. Hays said. That is, I think both the morale and military corner the Europeans have turned is clear.

Mr. MERROW. Mr. Chairman, I would like to ask this question. If there were an integration in Western Europe, or if it could proceed as far as we think it ought to—and that includes the integration of Western Germany with the economy of the rest of the countries—would not their productivity then be increased by leaps and bounds?

Mr. PORTER. I do not think it would happen overnight, but I think within 2 or 3 years what you say will be true.

Mr. MERROW. Is that not the key to this whole situation in the long run?

Mr. PORTER. I feel it is, sir.

Mr. MERROW. And until we solve that problem of integration, including Western Germany, we are going to be in difficulty and we will have to continue to help with military and economic aid?

Mr. PORTER. I am not sure that the last statement is necessarily true, but I am certain that if there were integration, that the Europeans would be able to stand on their own feet more completely and more rapidly—much more rapidly than now seems to be the prospect.

Mr. MERROW. Do you think in the extending of economic aid and military aid that we can continue to exert increasing pressure to bring about integration?

Mr. PORTER. I think we can and should.

Mr. MERROW. Thank you.

Chairman RICHARDS. Mr. Porter, what do you think about this idea a good many people have around here about “umbrellairg” all of these activities under one administration and one administrator now?

Mr. PORTER. Well, Mr. Chairman, I am a member of a team and I would like to confine my remarks to those of the other members of the team. I think there are various good ways of administering the program. I think that is simply one of them.

Chairman RICHARDS. Suppose that were done now for this year's operation? Do you think it could be done without serious injury to the ECA program by shifting from one gear into another?

Mr. PORTER. So far as the ECA program is concerned, I think that is true.

Chairman RICHARDS. You think it could be done?

Mr. PORTER. I do not think it involves any injury to the ECA because, as a matter of fact, they have already shifted from the former types of aid we have given to that of support for rearmament in Europe.

Chairman RICHARDS. Yes. Of course, you are not expressing an opinion as to what type of organization would be set up or anything like that, but provided a good organization could be set up with the proper people in charge, you think it could be done without over-all injury?

Mr. PORTER. I think that so far as our own operations are concerned they could be transferred to the new organization within a very short period of time.

Chairman RICHARDS. Thank you.

I want to say right here—and I forgot to say it when we first came in today—that we have our baby member present. He has been in Congress a long time and is a distinguished Member of Congress. We are mighty glad to have him on this committee. We are sorry you have not been able to be qualified before.

Mr. LANHAM. I am sorry, Mr. Chairman, that I could not be with you sooner. It is an honor to be with you. I am sorry I had to travel such a rocky road to get here.

Chairman RICHARDS. It was not your fault.

Mr. LANHAM. It was not my fault.

Chairman RICHARDS. It is good to have you here.

Mr. RIBICOFF. Mr. Chairman, before the meeting closes, and because you were out a part of the time, I would like to state that Mr. Porter has been a very frank and candid witness. When he has not known something he has said so, and he has given the committee a lot

of information. We did not operate under the 5-minute rule when you were gone. We allowed every member to exhaust himself completely and Mr. Porter too. I think all of the committee members are satisfied that they have asked every conceivable question that they had in their minds.

Chairman RICHARDS. That is fine. I suggested when I left that because of the nature of the questioning you should proceed in that way.

Mr. RIBICOFF. That is correct.

Mr. MERROW. I concur completely with the sentiments expressed by Mr. Ribicoff.

Chairman RICHARDS. I was very much impressed. I am sorry I could not be here all the time, but I will read all of your testimony that I missed in the record.

Mr. Porter, we appreciate very much your coming up this afternoon. You have made a contribution to solid thinking on this thing, and we thank you very much for it.

Mr. PORTER. Thank you, Mr. Chairman.

Chairman RICHARDS. I think that will be all for the present. We may call you again one of these days.

The committee stands adjourned until 7:30 p. m. today.

(Whereupon, at 4:35 p. m. the committee adjourned until 7:30 p. m. the same day.)

NIGHT SESSION

The committee met in the Foreign Affairs Committee room, the Capitol, at 7:30 p. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The hearing will come to order, please.

Ladies and gentlemen, we will continue the hearings on the proposed mutual security program legislation.

Our first witness is Hon. John M. Costello, who represents the American League for an Undivided Ireland, and, by the way, he is, as you all know, an old colleague of ours.

We thought a lot of you when you were here, John, and we are glad to see you back.

Now, you go ahead and present your case, sir.

STATEMENT OF JOHN M. COSTELLO, WASHINGTON REPRESENTATIVE OF THE AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND

Mr. COSTELLO. My name is John M. Costello, 3434 Porter Street, Washington, D. C. I am the Washington representative of the American League for an Undivided Ireland.

Mr. Chairman and members of the committee, I appreciate very much the opportunity to appear before you and present this statement in the name of the American League for an Undivided Ireland. This organization is an association of various Irish societies throughout the United States, and was created in order to coordinate the efforts of those societies in behalf of the complete independence and freedom of all of Ireland and the reunification of that divided country. Your committee has previously granted to us the privilege of appearing before you at prior hearings, and we are very grateful to you for your courtesy on those occasions as well as at this time.

Our organization is primarily, exclusively, and wholeheartedly interested in the abolition of the existing border in northeastern Ireland, a border which was created by an act of the British Parliament in London in 1920, without a single vote of an Irish member of that Parliament being cast in favor of the partitioning of their homeland. Not even the people in the severed six counties, cut out of the nine counties in the ancient Province of Ulster, desired the mutilation of the nation, which had been a single entity throughout its recorded history. Nevertheless, partition was forced upon Ireland through an alien government and was imposed upon the country through force of arms and the compelling power of military might.

At present your committee is considering the authorization of several billion dollars to be expended in the reconstructing of the military might of the western nations of Europe. However, it is proposed that this money shall be made available only to those countries which are signers of the Atlantic Pact. Sound military strategy is not the determinant in this case as to which nations should be aided. Spain at one end and Ireland at the other end of the western line of European defense are excluded from the benefits of military assistance. The defense line omits the two logical terminal outposts which such a line should possess.

Spain has been omitted due to Communist propaganda which has kept that country from being included, until recently, in the family of Western European countries. Yet Spain provides a strategic position at the gateway to the Mediterranean as well as a protected approach to southwestern Europe.

Ireland is the logical northern outpost for such a defense line, lying 250 miles closer to the United States than England and, with the consent of the Irish people, it could provide possible airfields and military supply bases. If England is to be a part of the western defense line, then surely Ireland, lying alongside, should likewise be included. Otherwise, in the event of war, an enemy-occupied Ireland would render English bases worthless, and a defenseless Ireland could not long withstand a hostile invasion by an enemy bent on destroying England's military usefulness.

These are matters on which this committee has already questioned our military leaders, undoubtedly, in your effort to determine the effectiveness of the financial aid which is proposed to be used in reconstructing the military might of the West. Likewise, I am sure that you have considered in what manner this new military force is to be employed. Moreover, you must have given considerable thought as to the manner in which you can assure that military assistance will be forthcoming from these western nations when the need arises.

We have witnessed the sorry spectacle of the Korean War, in which we have been engaged alongside the troops of the South Korean Republic, and practically without material assistance from any of the members of the United Nations. The token forces from small countries have been much appreciated, but the lack of cooperation on the part of larger nations gives rise to serious doubts as to the effectiveness of United Nations military actions. The insignificant number of troops and naval assistance provided by Great Britain is noteworthy—the more so, when she maintains a standing army of over 50,000 men in northeast Ireland serving no practical need other than

to emphasize the British domination of that territory and her intention to retain her conquest, by force of arms if necessary.

When we were sending troops to Korea, Britain was sending diplomats to Red China. When we were sending guns, tanks, and munitions to prevent the Communist occupation of all Korea, Britain was sending rubber, tin, and supplies to enhance the Communist occupation of all China. When we were fighting against Communist aggression in Korea, Britain was approving Communist aggression in China. What assurance do you have that this same situation may not again prevail in the event of Communist aggression in Europe? What secret treaties may at this moment regulate the affairs of the Socialist Government of Britain and those of Communist Russia?

Perhaps you have the answer to these questions. Perhaps you have the assurance of more sincere British cooperation in the event of a European conflict than we have witnessed in the Korean conflict. Perhaps you will so word this legislation that a recurrence of the Korean situation cannot come to pass.

With evident lack of confidence in our diplomatic astuteness growing throughout America today, it is incumbent upon the Congress to take a more direct hand in formulating diplomatic policy and thereby invigorate a feeling of greater confidence in the administration of our foreign affairs. This you can do in the particular field in which the American League for an Undivided Ireland is directly interested.

In drafting this legislation, you can specifically provide that no aid be granted to Great Britain so long as the partition of Ireland is maintained. Such a provision should be included in order that Ireland may become eligible to join in the Atlantic Pact and be established as the northern outpost of your defense line in Europe. So long as Britain occupies a part of Ireland, the Republic of Ireland cannot sign the Atlantic Pact, for to do so would be to recognize and acknowledge Britain's occupancy of Irish territory for 20 years under the terms of the pact. You have the assurance of former Ambassador George Garrett that the partition of Ireland should be ended and the country united. His memorandum to the Department of State should be readily available to this committee if you will but ask the Department for it.

The allegation that the Irish border question is purely a domestic affair in which the United States has no interest is mere propaganda, and Britain does not hesitate to spend a million and a half dollars in the United States for propaganda purposes, even though she does not have funds with which to meet her payments on the loans that have been made to her. The Irish problem should be of vital concern to the American people and more especially to this committee. The money to be spent for European defense should create a strategically sound defense line. Such a line cannot exist without Ireland being a part. The border in Ireland is as meaningless and as ethereal as is the thirty-eighth parallel in Korea. Neither line has geographic significance nor logical reason for its imposition on the country in question. Both borders should be eliminated. If we are ready to fight aggression across the fictitious Korean border, then we should have no hesitancy in using diplomatic and legislative means to stop the aggression across the fictitious border in Ireland.

Make it possible for Ireland to join the Atlantic Pact, include Ireland in this rearmament program, and you will at the same time

guarantee the honest cooperation and full-fledged support of Great Britain in the event of a European conflict. With Ireland allied to our side, Great Britain could not and would not dare to withhold her assistance. You can assure the good faith of Great Britain through the imminence of an Ireland allied equally with us in the protection of free nations from Communist domination.

Great Britain has not demonstrated her sincerity in defending the rights of small nations to their own choice of government and to their freedom and independence when she retains a part of Ireland in abject subservience and tolerates a tyrannical government in northeast Ireland, where civil rights are denied and civil liberties destroyed. Much confidence in Great Britain will be restored in the minds of 30 million Americans of Irish ancestry when Great Britain evidences a sincere belief in democratic practices by restoring to the 6 counties in Ireland the same measure of freedom and independence, which has been obtained by the other 26 counties. The withdrawal from the 26 counties by Great Britain is an open admittance that Great Britain had no right to occupy those counties, and that she has likewise no right to occupy the remainder of the country.

It is time that this country assumed its position of leadership in diplomatic affairs, rather than follow the path described for us by Old World powers steeped in a diplomacy that lacks morality, honesty, and forthrightness. There is much propaganda in this country that we need Great Britain as an ally in any possible European conflict. The reverse is true—Great Britain requires us for an ally; we do not need her. We must have allies in Europe, that is certain, but we do not specifically need any one country. We might find that we would be far better situated strategically with the alliance of Spain, Italy, or Greece, rather than Great Britain, in such a conflict. Moreover, we would undoubtedly find that any or all of these countries would prove a far less costly extravagance as an ally than has Great Britain.

During the last war, Great Britain received \$31 billion under lend-lease. In 1946, she received \$3,750,000,000, and under the Marshall plan \$2,700,000,000. Undoubtedly the greater amount of the present program will likewise go to Great Britain. I am confident that it would be far less expensive to align the three Mediterranean countries which are attached to Europe with us in our defense program, and yet achieve equal if not even greater benefit to ourselves from a military standpoint.

If it is the opinion of this committee that we must continue this huge expenditure of funds in Great Britain, then at least we should lay down the conditions under which Great Britain is to receive this financial aid. The primary condition should be the immediate withdrawal of British troops from Ireland and the establishment of an integrated country once again. The least we can do is to ask that Great Britain put into effect the democratic principle we are endeavoring to preserve in the rest of Europe, by eliminating the Irish border and wiping out this final act of aggression in Ireland. Certainly the Congress has the right to declare upon what conditions the funds of the American people are to be expended in Europe, and I am certain that not a single American desires to have his money expended in maintaining the present dictatorship in Northern Ireland nor British aggression in Ireland. Such a condition in this legislation will greatly

restore the faith of the American people in the ability of the Congress and in the statesmanship of this committee in particular.

Thank you.

Chairman RICHARDS. Thank you, Mr. Costello.

Mr. Vorys, do you have any questions?

Mr. VORYS. I am glad to see you back here with us, Mr. Costello.

How many troops of the Republic of Ireland are in Korea?

Mr. COSTELLO. I don't think any of them are, at all, in view of the fact that the Republic of Ireland is not a member of the United Nations since they were vetoed by Russia and denied membership on that account.

Mr. VORYS. They were not forbidden in any way to participate in the common defense; were they?

Mr. COSTELLO. No; they would not be forbidden.

Mr. VORYS. Has Ireland ever taken any action to attempt to become a member of the North Atlantic Treaty Organization?

Mr. COSTELLO. Discussions were held between representatives of this country and representatives of Ireland, with a view to joining the Atlantic Pact, but a provision of the pact specifically states that each signatory must recognize the territorial integrity of every other signer; and immediately after establishment of the Atlantic Pact, the Parliament in England, in 1949, passed an act again reiterating the claim of Great Britain to the six counties in Ireland, so that if Ireland were to sign the pact, they would be definitely recognizing Britain's claim to those six counties. And no Government of Ireland could stay in office 5 minutes if they attempted to sign away the rights of Ireland to the six counties.

Mr. VORYS. During the last war, my brother was in the Air Force and stationed in Northern Ireland. If the provision you suggest had been in our laws then, there would not have been any air bases in Northern Ireland or any place else in Ireland.

Mr. COSTELLO. Not necessarily; that does not follow. If that provision had been in our prior legislation, there might not have been any border in Ireland, and you would have had a united Ireland and a government which could have spoken for the whole of Ireland. Then I am willing to hazard a guess that Ireland would have been a participant in that war as a result of that. Whereas, under the existing situation, Ireland of necessity retained her neutrality throughout the war.

Mr. VORYS. You are suggesting that we help Ireland. Have you any assurance from the Government of Ireland, I mean could you bring us any assurance other than you have mentioned, that the Government of Ireland would help us and the free countries of the world if she were brought into the North Atlantic arrangement?

Mr. COSTELLO. Of course I have no assurance from the Government of Ireland or any officials of the Government, because, first of all, our organization is an American organization, and is operated exclusively by Americans, without any control or contact with the Irish Government.

Mr. VORYS. Do you not think we ought to be fairly sure about that before we would take any action?

Mr. COSTELLO. Well, I think that the long-standing relationship of friendship between Ireland and the United States would almost speak for itself, and the attitude of Ireland in all of the conferences in

Europe, other than in the case of the Atlantic Pact, Ireland has stood shoulder to shoulder with the United States when many of the other European nations were not doing so.

Mr. VORYS. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Mansfield?

Mr. MANSFIELD. Mr. Costello, it is a pleasure to have you again before the committee and to hear this very fine testimony from an old colleague such as you.

The gentleman from Ohio has made reference to the fact that the Republic of Ireland has had no forces in Korea. I think it ought to be brought out that the forces in Korea are United Nations forces, and as you so ably put it, Mr. Costello, the Irish have been retarded from joining the UN, despite repeated applications, because of the veto by Communist Russia.

Mr. JAVITS. Will you yield to me at that point?

Mr. MANSFIELD. If the gentleman will allow me to finish my thoughts, I will be glad to yield later.

Now, as far as the Irish Army is concerned, I understand it comprises about 12,000 men, and that there are approximately 40,000 men in the Reserve. The Irish have a very difficult time arming even the 12,000 men they have in their Regular Army, and they would like nothing better, in my opinion, than to be included in the North Atlantic Treaty Organization; to be rearmed, in part at least, by the United States, so that they could take their place in the forefront in the world-wide battle against the forces of Communist aggression; provided, however, that they could do so as a unified country and not a partitioned one.

We know also that there is no country in the world more anti-Communist than Ireland, and even if the Irish did not have any guns, they would fight to the last man before they would be overcome by the Russians.

I think, Mr. Costello, that, as usual, you have made a very strong case for the abolition of the fictitious line of partition, another thirty-eighth parallel, between Ireland and Ulster; and it is my hope that out of this committee, before too long, we will be able to have a vote on the Fogarty resolution, House Resolution No. 87. And I hope also that we will be able to get a rule and bring it to the floor, where I have no doubt in my own mind that it will be passed.

I think the position of Ireland is one which has been open and aboveboard. And in further response to a question raised by the gentleman from Ohio about Ireland not being in the last war, it is well to point out that even though Ireland was not officially in the war, 300,000 Irishmen were fighting in the armies of Great Britain, and doing their full share. When you consider 300,000 out of a population of somewhere between 3 and 4 million, that is a very high percentage, and I think will compare favorably with the contribution made by any country in the world.

Mr. VORYS. I bet there are more than 12,000 Irishmen fighting in Korea today.

Mr. COSTELLO. With the American Army, undoubtedly you are correct.

Mr. MANSFIELD. And undoubtedly some of them are in the British Army, because you cannot keep them out of a fight; when there is a fight, they get in some way or other.

The Irish have a habit of fighting among themselves, but when the Irish are attacked they have a habit of uniting.

And I sincerely hope, Mr. Costello, that your efforts and the efforts of many of us in the Congress, headed by the distinguished Congressman from Rhode Island, Mr. Fogarty, will come to fruition very, very soon.

Thank you very much for a very able statement.

Mr. COSTELLO. Thank you, Congressman, for your remarks, and I know that nothing would please the members of our league more than to know that the Fogarty resolution had an opportunity to get on the floor of the House, because we likewise feel confident that once the facts concerning the situation in Ireland are brought to the attention of the Congress, the Members undoubtedly would favor the adoption of such a resolution.

Mr. MANSFIELD. We are going to do our best to get the resolution out.

Mr. COSTELLO. You spoke about the armament of Irish troops. Ireland has no munitions factory, and therefore they have to seek defense materials from other countries. Britain is not in a position to supply Ireland with them. I do not know whether Britain would if she had surplus materials herself, but Ireland is unable to secure them from England, and so this would be the only country from which they might logically expect to obtain defense materials, even for their own defense. Suppose that there were a Russian attack made upon Ireland; the country would not be able to stop a very serious attempt by such an aggressor to invade the country.

Mr. MANSFIELD. May I say, in conclusion, Mr. Costello, that I agree with you that if there had been a united Ireland during the late World War, that Ireland would have been in there all of the way, and officially as well as unofficially, as was the case, through the enlistment of her sons in foreign armies to fight on our side.

That is all, Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton?

Mrs. BOLTON. Mr. Costello, I welcome you, along with the rest of the group. We miss you, and like to see you here. It is always a perfect delight to listen to the Irish. You have done yourselves proud, and the league has, to send you as their representative to this group. We always look forward to a moment when my colleague across the table (Mr. Mansfield) has an opportunity to express himself in true Irish fashion.

I have no questions, Mr. Chairman.

Chairman RICHARDS. That was a good question, Mrs. Bolton.

Should you get in danger here tonight, I want to assure you that there are a good many Irishmen around the table. We have 100 percent Irishmen and some 50 percent.

Mrs. BOLTON. We have just had a big Irish meeting or conference in Cleveland.

Mr. COSTELLO. I was up there in person.

Mrs. BOLTON. I thought you were.

Chairman RICHARDS. Did it end up peacefully?

Mr. COSTELLO. There wasn't even a glass broken at the banquet, not a glass.

Chairman RICHARDS. Mr. Carnahan?

Mr. CARNAHAN. Mr. Costello, I join with the other members of the committee in expressing appreciation for the excellent statement you have made, and I also want to join with the other loyal Irish and the friends of the Irish around the table in saying that Ireland has made a wonderful contribution to the free world. It is in a strategic location and has been especially during the two world wars.

I was stationed in southern Ireland during the First World War, and I certainly hope that the purely artificial line of division in Ireland can be removed, and that that country can be again united as it has been through most of its history.

Mr. COSTELLO. I appreciate the gentleman's statement.

I might add that in the First World War, Ireland suffered more casualties than did Belgium, even though Ireland was not overrun as Belgium was, and I believe Ireland contributed a larger number of troops in that war. It was all purely by voluntary method, since there was no conscription in Ireland.

Chairman RICHARDS. Mr. Smith?

Mr. SMITH. Mr. Chairman.

As I recall it, sometime last year or a year ago, the Fogarty resolution was before the House and actually passed as an amendment to a bill; and as I recall it, and the next day the administration—and I do not know who it was—called off the dogs, and the matter was reconsidered, and the Fogarty resolution went to sleep.

Mr. COSTELLO. Might I interrupt at that point, Congressman? Congressman Fogarty offered an amendment to a bill on the floor, but it was not his resolution. The amendment proposed to withhold aid to England, similar to what I am suggesting here.

Mr. SMITH. It was the same thing, in effect, was it not?

Mr. COSTELLO. But it was not actually the resolution, since the resolution is merely an expression on the part of Congress that they believe Ireland should be united.

Mr. SMITH. That is all this is, too, is it not?

Mr. COSTELLO. This might go a little further than that. This would be a case of directly withholding all material aid and military aid to Great Britain so long as the border was retained.

Mr. SMITH. Do you have any evidence, Mr. Costello, to support your statement, on page 4, to the effect that the British are spending \$14 million in the United States on propaganda?

Mr. COSTELLO. That statement is taken from a pamphlet put out by the Department of Justice. I believe it is appendix 6, in which they list the expenditures by foreign governments in this country, and they break down the expenditures by the British Broadcasting Co., their tourist program, and so on. The expenditures of three British organizations over here total \$1,500,000.

Mr. SMITH. That is on general propaganda, for all purposes?

Mr. COSTELLO. It is general British propaganda, and as a matter of fact, that is not all-inclusive, since very often the British Broadcasting Co. might, for example, have someone make a radio transcription here, for broadcast over in England, as they have done with many of our columnists in this country, news writers or radio commentators, and paying them for those broadcasts. Now I do not believe that that money is included in this list, because it is used for broadcasting in England and not in the United States. But it is a very subtle means of adding to their propaganda in this country by giving payments to

broadcasters or news writers for those broadcasts in England, thus keeping them rather friendly to the British Government in the hope they might get called upon to make a second or third broadcast for a suitable fee.

Mr. SMITH. I wanted the record to be straight, because I gained the impression from your reference to the Irish, that this was propaganda specifically directed against the Irish.

Mr. COSTELLO. Oh, no. I do not think the statement indicates that. It is merely a general statement about British propaganda in this country—as a matter of fact, I do not think that they are spending so much money against the Irish as they are in favor of Great Britain herself, in order to be included in the lion's share of all of the funds we are appropriating.

Mr. SMITH. That is all.

Chairman RICHARDS. Mr. Merrow?

Mr. MERROW. Mr. Costello, I join with my colleagues in saying it is a pleasure to have you with us. I am very much interested in your clear and lucid statement. I commend you in saying, on page 7, that certainly the Congress has the right to declare upon what conditions the funds of the American people are to be expended in Europe, and I take it that you would recommend writing conditions into legislation that must be met before these funds are received by the various countries in Europe.

Mr. COSTELLO. I think conditions of that sort should be written in. Otherwise, you might have the same situation as you had in Korea, where the United Nations are presumably involved and fighting aggression there, and yet outside of, you might say, token assistance, you have practically no genuine assistance from other countries in the United Nations, outside of the United States and the Korean Republic itself.

Mr. MERROW. And since conditions have not been spelled out specifically in legislation, you feel that now is the time to do it?

Mr. COSTELLO. Today is a good time to start.

Mr. MERROW. Thank you.

Chairman RICHARDS. Dr. Judd?

Dr. JUDD. Mr. Costello, it is nice to see you again.

I am surprised to hear that there are still 3 or 4 million Irish left in the island, in view of how many of them are in this country. My branch of the Irish family comes from south of the border, and my wife's is from the north. That is the way we solved the partition. I do not know whether that sort of thing is taking place over there too. Is there considerable interchange between the two sides, and intermarriage, do you know?

Mr. COSTELLO. Undoubtedly there is. It is quite common for interchange back and forth, but there is a customs border maintained there so that goods and articles being carried across the border may be subject to taxes, and proper duties.

Dr. JUDD. It is a little long, to wait for union by that method.

Mr. COSTELLO. I am afraid it might take another century; and the longer the border remains, the more permanent it is. Prior to 30 years ago, there had never been any division before, and they had always been looked upon as one country.

Dr. JUDD. Recently, I have found myself described as a member of a mythical China lobby, and as near as I can find out, it does not have

anything like the amount of money that you report some of these other lobbies have. I wondered if I could not get a job in a more remunerative one than the one I am said to be in at present without a job. Is the business doing pretty well, John?

Mr. COSTELLO. The China lobby?

Dr. JUDD. No; the—

Mr. COSTELLO. If you are referring to the Irish lobby, as such, I am afraid that this particular organization is not heavily burdened with finances, and in fact, the Irish are usually rather generous with speech but not always in a position to be generous with cash.

Dr. JUDD. Anyway, it is nice to have you here again. Thank you.

Chairman RICHARDS. Mr. Javits?

Mr. JAVITS. Mr. Costello, I am very glad to see you here, and I might say that my Irish lineage is very direct: my mother was born in Galilee, in Palestine. I have a very lively interest in your problem, because I see many similarities between the unification of Ireland and the unification which has come about with so much bloodshed and work and heroism in Israel.

I tried to interject in the very distinguished statement made by my colleague, Mr. Mansfield, what I thought was an important point, which I would like to mention now, and I hope he will agree that it is; and that is that the resolution of the Security Council of June 27, 1950, dealing with the Korean action, invited members of the United Nations to furnish assistance, and did not invite nonmembers of the United Nations. So, while perhaps Eire could have volunteered, it is fair to say that no such call was made by the UN.

Mr. Costello, do you want us to take what you are presenting as a serious problem of statesmanship for the United States, or do you want us to take it as some cause that people who are anxious to curry favor with those of Irish descent should embrace?

Mr. COSTELLO. I do not think it should be undertaken purely as a political move or something to obtain votes in the country, and so on.

Mr. JAVITS. You want the unification of Ireland to stand on its own feet as a problem of American statesmanship?

Mr. COSTELLO. It is a situation there of gross injustice that should not continue. Great Britain has occupied Ireland over a period of 7 to 8 centuries, and throughout that entire time the Irish have never submitted to British domination, and they have never been at rest under British rule. And, so, at no time can you say that the British really controlled Ireland. They had to govern always by force of arms.

Finally, it reached the point that, following the First World War, after all of their pledges of giving freedom to or home rule to the Irish people, when it came time to redeem those pledges, the Irish again had to fight in order to force the British to live up to the promises they had made during the war. And, so, they created then the division in Ireland, giving independent status to 26 counties, but still maintained control over the remaining 6; and, to my way of thinking, the fact that they removed themselves from the 26 counties is definite indication that they knew they had no right to be there, and it is a confession of their guilt. Therefore, they should remove themselves from the remaining six counties.

Mr. JAVITS. Is it fair to say that what you want us to do is to accept and adopt, as a principle of our conduct, the principle you advocate

of unification of Ireland, and that that is the first and primary point; and that the means by which it should be accomplished, whether by an effort to cut off funds from Great Britain or by strong expressions of our desire, as through the Fogarty resolution, is the next question which you consider to be more largely in our own judgment? Is that right?

Mr. COSTELLO. Our primary interest is in seeing that border eliminated and the country united. Now, the method or the best means to be pursued in doing that, of course, would be entirely up to the judgment of this committee.

Mr. JAVITS. Do you feel that a big point will have been gained by those who stand with you in your position, as I do, if the Fogarty resolution is adopted?

Mr. COSTELLO. Yes; I do, because I think if the committee were to report the Fogarty resolution, and the House were to pass that resolution, it would be a very clear indication that the Congress of the United States at least felt that an injustice existed there that should be remedied.

Mr. JAVITS. Now, would you mind answering one other question, and, if you find it difficult, just say so, but I have been under a great deal of attack because I have espoused the justice of the unification of Ireland, and one of the great issues that has been presented to me is whether, if all Ireland was unified, there would be complete religious freedom in the country. Would you be good enough to speak to that?

Mr. COSTELLO. I think the best answer to that is the situation in the 26 counties. We feel this is not a religious question at all, although it so happens the majority of the Protestants are located in the six counties. But in the 26 counties you have a Protestant population amounting to about 6 percent, and yet Protestants occupy 20 percent of the governmental positions in the country. They hold a very large percentage, about 20 percent of the business positions of prominence. And I do not think that you have found a single case of any religious intolerance demonstrated on the part of the Government or the people in Ireland. In fact, the Irish Constitution prohibits religious discrimination.

I think that you will find that statements made by Jewish rabbis in Dublin, where there is an outstanding synagogue, and by the various Protestant ministers and bishops in Ireland, where they have repeatedly made written or verbal statements to the effect that they have not suffered a single bit of discrimination because of religion.

Now, if there were going to be that tendency, with a very small minority of 6 percent, it would have been evidenced long before.

Mr. JAVITS. Thank you.

Chairman RICHARDS. Mrs. Kelly?

Mrs. KELLY. Mr. Chairman.

I welcome Mr. Costello before this committee. I am sure that you realize that I am sympathetic with this cause, and I not only support your statement but I want to support the statement of my colleague, Mr. Mansfield.

There is one point I would like to bring out at this time; that I do want to emphasize the fact that the peoples of this country over 100 years ago recognized the threat of communism to the world. It took this country almost 100 years later to recognize this real threat, in 1948, when Vishinsky, on the floor of the United Nations, denounced

our great leaders. I thank God to this day for Vishinsky denouncing our leaders. I only hope this committee will vote out favorably the Fogarty amendment, so that action can be taken on the floor. I do not want to be compelled to vote for a rider on an important bill, the Mutual Security bill; and I am sure that, no matter what the outcome of the Fogarty resolution is, the rider will not be attached to the mutual security bill if action is taken by this committee on an appropriate resolution. And I hope that the committee will bear that in mind.

I thank you.

Mr. COSTELLO. It is my thought, in making a suggestion regarding this sort of amendment, that it will augment your security in seeing to it that Ireland, too, might become a part of that defense program. I think that that would happen very rapidly if such provision were written into this particular legislation, for I am quite sure the British Government would not stand idly by, but would act promptly to eliminate the border if it prevented their receiving defense aid.

Chairman RICHARDS. Mr. Reece?

Mr. REECE. I have no questions, but I do want to say that Mr. Costello's occasional appearances before congressional committees in part compensates for his having left the Congress.

Chairman RICHARDS. Thank you very much.

Mr. COSTELLO. Mr. Dalton, a member of the executive committee, had hoped to be present and be a witness, but he was out at Cleveland at the conference there. When he returned to New York and was notified of this hearing he was unable to come down, and he requests permission to put his statement into the record at this point.

Chairman RICHARDS. We are sorry Mr. Dalton could not be with us, and without objection that will be done. Thank you very much. (The statement referred to is as follows:)

STATEMENT OF RICHARD F. DALTON, AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND

First, I should like to express my thanks to the committee for the opportunity afforded me to be heard.

Second, I should like to express my thanks to the secretary of the committee, Mr. Boyd Crawford, for his patience and courtesy in reaching me by telephone under difficult circumstances.

Mr. Chairman and gentlemen of the committee, I am opposed, as a citizen and as a taxpayer, to any recommendations for allocations of American money for any European purpose—defense, or alleged security, or other—for so long as England persists in her present international attitudes and remains in the present disesteem in which England is held by the bulk of our citizenship.

My opposition stems from a firm belief that any further American moneys advanced to or spent for the account of England, under England's present set-up, will simply be so many more good American dollars thrown down a bottomless pit.

It is common knowledge that England, with more than 50,000,000 of population resident within an area no larger than our own State of Illinois, is unable (under England's present set-up) to adequately support, house, or even feed that population. It is notorious that England, even to and within the past year of trouble in Korea, has furnished materials and supplies of war utility to the actual or potential enemies of the United States of America. The fact that England may try to excuse herself because of her dire economic necessities affords but cold comfort to mothers and fathers who lost sons in Korea.

It is now openly published that within this same period England has expended more than 2½ million dollars on just two of England's pet propaganda projects in the United States of America.

Yet, England has persistently refused to clear up her own outrage to democratic processes in her own immediate neighborhood—Ireland.

England has refused, and continues to refuse, to evidence by her deeds those principles which would win her the respect and the confidence of the civilized world.

England has maintained her invasion of Ireland for 782 years, and there is a powerful school of thought in England today which holds to the theory that England's present-day invasion of Ireland can be reextended, and that England can once again reduce the whole of Ireland to the status of a Province, relegated to the task of supplying food for England's table.

This is amply proved by the fact that England keeps our American State Department impregnated with the schooling that matters pertaining to the six counties of northeastern Ireland are "the internal affairs of a friendly power, with which the United States of America may not interfere."

Such pseudo-superiority offends some 30 million ethnic Irish in the United States of America, and is probably the prime cause of the low estate to which England has fallen in American public opinion. The Irish are vocal; the Irish are eloquent; the Irish are forceful in proclaiming their rights. The Irish are bitterly resentful in denouncing their wrongs. They are denouncing England now wherever Irishmen and Irishwomen are gathered together.

Then, too, to all appearances, our English-influenced Department of State is very effective in keeping detailed information of the true state of affairs in Ireland from the knowledge and official action of President Truman.

President Truman's speech just 2 weeks ago (Washington Monument, July 4, 1951), ties in squarely with the actual aspirations and struggles for complete independence of the people of Ireland; it places, in words, the United States of America with those, however small, who seek and fight for liberty. That speech idealizes liberty; that speech spurns and condemns tyranny.

As an old-time Democrat since my boyhood, I find myself unable to believe that these are not sincere words from the President.

But still I have to remember that President Truman refused to receive a splendid delegation of Gold Star Mothers who went to Washington in 1948 bearing a monster petition with hundreds of thousands of signatures, and addressed, as was the constitutional right: "To the President and Congress of the United States of America."

The petition was in Ireland's behalf. Its wording is available.

And so that petition had to go over to a then Republican House of Representatives, and it was to Congressman Joseph W. Martin, then Speaker of the House, that those Gold Star Mothers had to make their plea for American intervention in behalf of Ireland's unity and complete independence.

Well, Irish-American opinion has advanced a long way since then, and England has sunk very low in American public esteem since then, and perhaps the State Department would not again insist that Ireland's affairs are the domestic concern of England if the Fogarty resolution in the House, or the Dirksen resolution in the Senate, should reach the stage of public debate in the full view of the American voters.

But, to come squarely to the business of the day, Mr. Chairman, I respectfully remind you that the last Government of the Republic of Ireland, through its then Minister for External Affairs, Mr. Sean MacBride, made a plain statement to the Government of the United States of America as to why Ireland cannot join the North Atlantic Pact for so long as England continues her invasion of the northeasterly six counties of Ireland. I respectfully remind you that a national election has occurred since then in the 26 counties of Ireland over which the Republic of Ireland presently exercises *de facto* as well as *de jure* jurisdiction.

I respectfully remind you that in this recent election all parties deemed the reunification of Ireland a matter above and beyond party politics. Such reunification was considered desirable and necessary by unanimous consent of the people of Ireland, and was not even a necessary subject of debate.

I respectfully remind you that as a result of that election the party of Eamon de Valera has been returned to power, and that in one of his first utterances after being elected Taoiseach (Prime Minister) Mr. de Valera said: "Ireland to be free must be one."

I respectfully remind you that Mr. de Valera reiterated the policy which has been enunciated by Mr. MacBride, and reasserted the practical political statement that Ireland could not join the North Atlantic Pact while England continues her invasion of six counties of Ireland or of any part of Ireland.

I respectfully remind you that the absence of Ireland from the Atlantic Pact leaves open a gap of more than 270 miles in the West European military and naval front, and renders ineffective, and but a frittering away, any appropriations of American money for England's buttressing.

I finally remind you that the Republic of Ireland functions under a constitution modeled upon our own American Constitution, and that the Irish Constitution guarantees (and delivers) full civic and religious liberty to every person. That any cleverly financed English propaganda in America regarding a supposed religious question in Ireland is merely propaganda with a very offensive odor in the nostrils of American voters to the number of millions.

I therefore urge that, in your considerations pertaining to the national security, you safeguard our good American dollars and refuse to recommend the expenditure of any further of them, at least until such time as England begins to rehabilitate herself in American public opinion. Her action on Ireland would be a first evidence of England's awakening.

Mr. JUDD. I might ask one question. You said, "You can assure the good faith of Great Britain through the imminence of an Ireland allied equally with us in the protection of free nations from Communist domination."

On what basis do you speak so confidently that "4,000,000 Irish can keep some 47,000,000 English in line?"

Mr. COSTELLO. The thought I had there is not that the 4,000,000 will keep Great Britain in line, but the fact that should Great Britain decide to reverse its position to join with Russia in a war against us, if we had Ireland on our side right alongside of England, we would have a very effective means of keeping England on our side in that situation. In other words, I think Ireland tied up with us would be a sort of guaranty that England would stay with us and not go across to the Communist side.

Mr. JUDD. A good forward base, in other words?

Mr. COSTELLO. A very close base.

Mr. JAVITS. Is the Fogarty resolution, which I favor very much, entirely satisfactory to you now in its present form?

Mr. COSTELLO. Yes; it is.

Mr. JAVITS. While recognizing its limited scope, we understand that.

Mr. COSTELLO. Yes; the Fogarty resolution is very general in its statement and it does meet with the approval of the American League for an Undivided Ireland.

Chairman RICHARDS. The next witness is Mr. Merwin K. Hart.

We are glad to have with us as the next witness Mr. Merwin K. Hart, president of the National Economic Council.

Have you a prepared statement, Mr. Hart?

STATEMENT OF MERWIN K. HART, PRESIDENT, NATIONAL ECONOMIC COUNCIL, INC., NEW YORK, N. Y.

Mr. HART. I appear on behalf of the National Economic Council to request that the size of the appropriations in this measure, particularly the nonmilitary appropriations, be drastically reduced.

We are convinced that for a full dozen years the spending of money by the United States on foreign ventures has been in great part excessive in amount and often ill-advised. The returns—where there have been any—have been frequently, as in our nearly \$11 billion of lend-lease to Soviet Russia, tragically on the minus side.

In the 11 years ending January 2, 1951, appropriations for foreign governments, or for the benefit of foreign peoples, have been well nigh \$100 billion. Some of this, of course, was well spent. Much of it was not. All of it came out of the savings, or the income that would have been savings, of the American people. Since much of it was

raw material or fabricated goods, the natural resources of the United States have been by just so much depleted.

The Congress, due we think to the so-called bipartisan foreign policy, must share the blame for this excessive and fantastic expenditure. But we place the greater part of the blame on the Executive, because the Executive has recommended spending without regard to the wealth, the income, or the natural resources of the United States—in some cases without more than a hope that such spending would benefit the United States, and without regard to the needs of the American people.

In a communication sent by Mr. Alfred Kohlberg to the President of the United States on August 30, 1950, he called attention to some \$35 billion worth of war matériel, including raw materials such as copper, having been destroyed or dumped into the ocean after the end of hostilities in 1945.

Miss Freda Utley says in her book, *The China Story*, on page 37:

Following Japan's surrender, shipments of lend-lease supplies to China from India were stopped, and large quantities of munitions and equipment intended for China were destroyed, or thrown into the sea. Smaller-caliber ammunition was blown up, and 120,000 tons of larger caliber dumped into the Indian Ocean. This "Operation destruction" cost the lives of 25 Americans and 125 Indians.

In a footnote on page 204 she says that the figure of 120,000 tons of large-caliber ammunition was confirmed by Gen. W. O. Reeder, now a Deputy Assistant Chief of Staff and former Foreign Liquidation Commissioner of the India-Burma theater.

We ourselves have heard from many sources so much hearsay, as well as some authentic accounts, of the extent of such destruction that we are not surprised at Mr. Kohlberg's figures. It is a mystery to us that we have rarely, if ever, read anything about this huge destruction in the newspapers, and we wonder at their silence. If the intent of all this destruction was not to weaken the United States vis-à-vis Soviet Russia, what was the intent?

We strongly recommend that this committee, before approving appropriations on this account, should investigate this destruction, why it was done and on whose orders? Is the man who issued those orders still with the government? Was not this destruction a treasonable act?

In both World Wars I and II, and since, we have appropriated money in huge amounts to aid Great Britain. Yet Britain, it must be admitted, is pursuing her own interests, just as we believe the United States should do. But let her pursue her own interests with her own money, not with ours.

When the Communist Eisler escaped and was in British hands, Britain refused to hold and return him to the United States.

While it is to the vital interest of the United States, in the opinion of this Congress, so far as I can learn, and certainly in the opinion of our military men, for the United States to establish closer relations with Spain, yet the Socialist-Labor Government of Britain has long and to date successfully used its influence to keep America and Spain apart.

Again and again, serving her own interests, Britain, although she has sent only a small number of troops to aid us in Korea, which troops have fought valiantly, is nevertheless presuming to dictate the policy of the United States with respect to Korea and China. In

these and other instances it can be seen that the aid we have given Britain does not predispose her in the least in our favor. The billions we have given Britain since 1945 have merely sustained in office a Socialist-Labor form of government, Marxist in inspiration and purpose.

Similarly, the aid we have given France and Italy has brought us little good will. Neither has it materially weakened communism in those countries, for the Communist vote in the May elections in Italy was actually greater than in her elections of 1948, and the drop in the Communist popular vote in France in the June 17 election was not nearly so great as had been forecast. Yet an important purpose of this aid was to overcome the Communist threat. And we at least thought we would have the good will of those countries.

On the other hand, while the United States has been throwing money around in countries where the good it has done is little in evidence, we have neglected until now to aid Spain. Spain is no defaulter—I am told she has never defaulted on a foreign debt. And she has actively and successfully fought the evil of world communism which the Truman administration has belatedly begun to recognize is our enemy.

I would like to say that this statement and these remarks about Spain were written by me before the headlines of yesterday in the New York Times and the Herald Tribune appeared, reporting that the Governments of Britain and France were denouncing the United States for even thinking of establishing closer relations with Spain.

Light is thrown on the attitude toward Spain of the British Labor Government, by a photograph, a photograph of the original of which I hold in my hand, and which I shall leave with the committee. I obtained the original photograph of this picture in the Foreign Office in Madrid in November 1950. This photograph, taken in Spain in 1940, shows the present Prime Minister of Britain giving with others the Communist clenched fist salute. I might throw in here that a copy of this picture on a circular that we published with a few descriptive words reached Prime Minister Churchill in England, and a friend of mine who showed it to him said that Mr. Churchill said, "My gosh, I had forgotten that, but I now remember it when it first came out." Apparently it impressed him.

This Congress last summer overrode the veto by the President of a loan to Spain of \$62½ million. Yet the administration has dragged its feet in carrying out the mandate of the Congress. It was many months before a single dollar of it was made available and more than half of the loan has not yet been made available.

I do not want to elaborate further on this Spanish situation because negotiations are apparently now going on which will bring Spain and the United States closer together. It is probably not too late, but it is late. We have not followed our own interests in that we have failed to support Spain as our strongest potential ally on the continent of Europe.

We in the National Economic Council believe that all this reckless spending has been instigated by alien influences, by Soviet Russian influence, by British influence, by French influence, by international Socialist influence. All these influences had a fascination to Mr. Roosevelt and have seemed to have an almost equal fascination to Mr. Truman.

We believe it is absolutely essential, if this country is to survive, to draw a line and from here on to appropriate no money for any foreign aid unless we are reasonably sure it will advance the interests of the defense of the United States. No commitment should be regarded as made merely because the Executive has made it, but every commitment should be subject to acceptance or rejection by the Congress. The American people are going to lose their liberty unless Congress repossesses its full powers under the Constitution.

We are greatly shocked by our Government's inertia and unawareness in the face of what Soviet Russia and her spies and agents have been able to do. Russia has carried out her conquest in China and the iron-curtain countries. She has infiltrated other countries, including even the United States, for eventual conquest.

We believe that to defend herself the United States is going to need every bit of her wealth in natural resources and manpower. We do not interpret the so-called global responsibilities of the United States as warranting us to continue to cast money about on every side, often simply in the hope that it may do some good. If we do not husband our resources with a care we have not shown in 18 years, America could lose her independence and we could find ourselves, possibly within a few years, a subject province in a world government dominated by Soviet Russia.

We therefore ask this committee not to approve a single project that is not directly connected with the defense of the United States. We urge that such spendings as proposed under point 4 be postponed indefinitely. We believe much of the propaganda in favor of such projects as point 4 is inspired far behind the scenes by those influences whose job it is to see the United States spend herself into bankruptcy. To allow ourselves to be mired deeper and deeper by point 4 would insure a continuance of the reckless spending that has characterized the past 10 years.

The National Economic Council gave a dinner last October in honor of Jan Ciechanowski, formerly Polish Ambassador to the United States and now an American citizen. Mr. Ciechanowski told that dinner group that in his opinion the most important thing in the world today was for the United States to be and to remain strong.

If the rulers of the Communist world continue to spend the greater part of their national income on armaments, while we give ours away in charity, the end will be conquest of these United States. Unfortunately, in the defense of America, good works are not worth more than bayonets.

That, Mr. Chairman, is the position of the National Economic Council. We believe that informed people will watch every vote of this committee and will approve its course only if it cuts down the foreign aid to an absolute minimum, in cases necessary for American defense.

Chairman RICHARDS. Are there any questions, ladies and gentlemen?

Mr. VORYS. Mr. Chairman, this statement gives us much food for thought, but I have heard from other sources in addition to Mr. Hart this incident about the destruction of munitions in the Indian Ocean, and I feel that we should inquire of the Defense Department the facts, and find out the answer to the three questions he proposes during the course of our consideration of this legislation.

Chairman RICHARDS. You raise those questions, but do you assert that such incidents have actually occurred Mr. Hart?

Mr. VORYS. I have heard it before Freda Utley heard it, and I think we ought to get an explanation of what did happen and why.

Chairman RICHARDS. We will have plenty of witnesses here from whom you can get those answers.

Mr. HART. I think we can say that we know of certain cases where that was done. The information comes to us in such a way that we cannot, or I cannot repeat it here without betraying a confidence, but I think it would be possible to find out where the information could be found.

Chairman RICHARDS. I assure you that before these hearings are over, we will go into that very question.

(The following information has been submitted for the record.)

OFFICE OF THE SECRETARY OF DEFENSE,
Washington, D. C., July 24, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: You will recall that during the course of Mr. Hart's testimony before the committee on July 18, 1951, reference was made to the destruction of munitions in the Indian Ocean. Mr. Vorys stated that an inquiry should be made of the Department of Defense concerning the facts involved in Mr. Hart's testimony. You will also recall that Mr. Hart referred to Gen. W. O. Reeder as having given confirmation to some of the statements contained in the testimony.

The following information is supplied by Maj. Gen. W. O. Reeder, Deputy Assistant Chief of Staff, G-4. He was signal officer, CBI theater from June 24, 1944, to May 21, 1945; Assistant Chief of Staff, G-4, India-Burma theater from May 21, 1945, until January 7, 1946; and Foreign Liquidation Commissioner, India-Burma theater from January 7, 1946, until July 15, 1946.

There were many types of property destined for the Chinese Government, in the custody of the CBI theater. There was lend-lease equipment which had been landed in the early days by diversion from the port of Rangoon. There was British lend-lease to China and Canadian mutual assistance material. With gold loans provided it by the United States, the Chinese Government had purchased diverse material, nearly all of a civilian nature, through two trading corporations; this material was received and stored in India by the CBI theater. In addition to this, it was originally the custom to ship United States military matériel given in lend-lease to China to the CBI theater, earmarked for China. In 1944 this custom was changed for administrative reasons, which follow. The Hump lift was a severe constriction in the supply line to China. The result was that much more China military lend-lease could be shipped to India than could be forwarded from India to China. Consequently, lend-lease supplies for China accumulated in India. At the same time, American troops in India and Burma were utilizing the same type of supplies and storage of material for them caused a duplication in supply and storage effort, in that full back-up for the American troops had to be maintained side by side with earmarked stock for China of the same character. Whenever a shortage occurred and it was necessary to "borrow" or reconvert to United States use some of the Chinese lend-lease, there was an elaborate administrative procedure to be accomplished and a considerable accounting load developed. Consequently, the CBI theater commander recommended and the War Department approved the following procedure: All Chinese lend-lease stocks in India and Burma were converted to United States stocks and thereafter United States military material was not put on lend-lease until actually issued or shipped to Chinese troops or to the Chinese Government. As a result, on VJ-day there was no United States lend-lease material of a character used also by United States troops in the India-Burma theater.

Shortly after VJ-day, the India-Burma theater was ordered by the War Department to effect as rapid a close-out as was consistent with orderly evacuation and disposal. Types of equipment and supplies which were to be returned to the United States were designated and disposal of the remainder was directed. There were of course many individual decisions concerned in effectuating this general

decision. One of the chief problems was material either belonging to, or earmarked for the Chinese Government. The United Kingdom and Canada were contacted by the theater to learn their wishes as to their lend-lease material for China. Both stated that it should be given to China. After tripartite negotiations between the theater, the Government of India, and the Government of China (represented in Delhi in lend-lease matters by a Mr. Chen), it was agreed to concentrate all material for China in two locations, one at Ranaghat, north of Calcutta and the other a few miles from Karachi; the Chinese Government also agreed under urging by the Government of India to accelerate the shipment of such material to China and the theater cooperated by securing ships for the shipment. Some of the material which was either the property of the Government of China or was still earmarked as lend-lease for China had deteriorated so much as to be not worthy of shipment; among such was a small amount of ammunition which was stored along with United States ammunition, principally in Kanchrapara ammunition depot. Such ammunition as the Chinese Government did not wish to ship to Ranaghat for later shipment to China was agreed to be destroyed or disposed of by the India-Burma theater. The agreement was carried out by having the Chinese execute shipping tickets to the United States for such ammunition as they did not want.

The War Department had designated certain types of ammunition to be returned to the United States and the disposal of the remainder. The directed ammunition was returned to the United States. The law governing foreign disposal of surplus required that warlike material be demilitarized before disposal. In the case of the ammunition remaining for disposal, demilitarization was a formidable task. The quantity to be demilitarized was large and the experienced personnel to do it were relatively few; furthermore, the rapidity of demobilization under the pressure of public opinion was fast thinning the ranks of the experienced. Safety was a very important consideration; in spite of the stringent precautions, there was at Kanchrapara an explosion which took the lives of 9 Americans and 55 Indians. Under such circumstances, the theater commander, Lt. Gen. R. A. Wheeler, recommended and the War Department approved, dumping as much as possible of the surplus ammunition at sea. Three ships were secured for the purpose; an area in the Bay of Bengal was agreed with the Government of India. The operation was carried on for about 2 months; each ship required about 2 weeks for loading, proceeding to the spot for dumping, dumping the ammunition, and returning to berth in Calcutta. It is believed that the three ships averaged four trips each and should have loaded about 10,000 short tons on each round trip; consequently the total dumped was about 120,000 short tons. Nothing but ammunition was dumped and of the ammunition only a very small fraction was Chinese; such Chinese ammunition had as stated above, been shipped to the theater for disposal. The average original cost of ammunition during the war was about \$1,000 per ton; on this basis the value of the ammunition dumped would approximate \$120,000,000. This dumping was carried out by troops and civilians under the command of the commanding general, Base Section No. 2, India-Burma theater. At the time the operation began this commander was Brig. Gen. Robert R. Neyland; he was succeeded before the dumping ended by Brig. Gen. W. K. Wilson.

It would be appreciated if this letter is made a part of the record.

Sincerely yours,

S. I. Scott,
Major General, U. S. Army,
Director, Office of Military Assistance.

(The following was submitted by the Department of State:)

MEMORANDUM CONCERNING DESTRUCTION OF SURPLUS AND DETERIORATED AMMUNITION IN THE CBI THEATER

The charge has frequently been made that 120,000 tons of ammunition was destroyed in the China-Burma-India theater at the end of World War II by dumping it in the Indian Ocean. This charge is sometimes varied by the declaration that the ammunition was destined for Nationalist China. The implication of the persons making the charge has been that the ammunition was destroyed for the purpose of preventing its delivery to Nationalist Chinese forces. This charge is completely untrue.

The actual facts have long since been made public. They were thoroughly covered in letters to Mr. Francis D. Flanagan, chief counsel, Senate Investigations Subcommittee, Committee on Expenditures in the Executive Departments from

Brig. Gen. C. C. Fenn, special assistant to the Secretary of Defense, and to Mr. Alfred Kohlberg from Maj. Gen. Edward F. Witsell, Adjutant General of the Army. These letters were dated December 18, 1950, and July 17, 1947. Copies of these letters are attached.

Persons making these charges usually impute responsibility to the Department of State. Secretary Acheson in a letter of July 6 to Senator Lyndon B. Johnson commented on this matter as follows:

"The role played by the Department of State in this action is effectively disposed of in General Fenn's letter. He said, 'Under such circumstances, the theater commander, Lt. Gen. R. A. Wheeler, recommended and the War Department approved dumping as much as possible of the surplus ammunition at sea.' Although it is true that the practice observed by the Foreign Liquidation Commission which was nominally under the Department of State, required that surplus materials be demilitarized before being sold or otherwise disposed of, the facts are that this dumping was carried out as a result of the recommendation of the CBI theater commander as a necessary safety measure."

The way in which this charge is usually levied implies that the entire 120,000 tons of ammunition was Chinese or was destined for Nationalist China and that its destruction gravely weakened the Chinese Nationalist cause. Secretary Acheson commented in the same letter as follows:

"The facts also establish that roughly 120 tons of this ammunition was Chinese, and so deteriorated that after an inspection by Chinese and United States Army Ordnance officers it was decided that it should be destroyed as a safety measure. A further inference that the dumping of this ammunition hampered the Chinese Nationalists is directly contradicted by the sworn statements of Secretary of Defense Marshall, who was the special representative of the President in China, and by Major General Barr, who was head of the United States military advisory group to the Nationalist Government. General Barr stated flatly that during the period that he was in China, which covered up through 1948, at no time did the Nationalist forces lose any battles for lack of equipment or ammunition."

In considering this charge, it is germane to point out that, rather than hampering the Nationalist forces, the United States policy made exceptions for China and provided extensive military aid, including a very large amount of ammunition. A detailed statement of such military aid to China was presented by Secretary Acheson to the Joint Armed Services-Foreign Relations Committee inquiring into the military situation in the Far East and appears at page 2813 ff. in part 4 of the hearings. This statement would undoubtedly be of considerable interest to the House Committee on Foreign Affairs. Secretary Acheson's statement points out that after VJ-day the Chinese Nationalists continued to get large quantities of military and economic assistance from the United States. Since VJ-day the United States has given Nationalist China about \$1 billion worth of military assistance. This has included large quantities of military equipment under lend-lease from the United States after VJ-day when China was the only country so favored. It has included the completion of the program to equip 39 divisions for the Chinese Government which was only half completed on VJ-day. That program was continued to completion by the transfer of more than \$400 million worth of ordnance and stores, tanks and military vehicles, and ammunition. It has included the equipment of the bulk of 8½ groups for the Chinese Air Force by a transfer of the total of 936 aircraft. These figures do not count the vital aid given the Chinese Nationalist Government after VJ-day by the headquarters of the United States Forces, China theater, in planning for the redeployment of the Chinese Army and the repatriation of the Japanese, nor the aid rendered by United States marines in north China in occupying key areas and maintaining control of the Government of essential lines of communication, nor for the aid provided by the United States advisory groups. These figures also do not count the large quantities of Japanese weapons and equipment which were turned over to the Chinese Nationalist forces when they were surrendered by the Japanese. This total does not include such items as 6,500 tons of small-arms and artillery ammunition which were turned over to the Nationalists by the United States marines when they left north China.

Since the question raised relates to ammunition, the following points made on pages 2815-2816 in Secretary Acheson's statement to the Senate joint committee may be of interest:

"1. The military assistance which the United States gave to the Chinese included, of course, large amounts of ammunition. While the Department of State does not have available a detailed itemization of wartime lend-lease materials, the item of ordnance and ordnance stores (\$153,333,189.94) included large amounts of ammunition. The post VJ-day lend-lease, as indicated in annex 1, includes more than \$94 million worth of ammunition.

In addition, 6,500 tons of ammunition, including more than 4¼ million rounds of small-arms ammunition, were left by the marines and Navy, at no cost to the Chinese Government, during their evacuation from north China; surplus property sold to the Chinese included in addition to other equipment and assorted ammunition of all sizes, 188,000,000 rounds of small-arms ammunition; the ammunition purchased from the \$125,000,000 grant under the China Aid Act of 1948 included 230,000,000 rounds of .30 caliber, 26,500,000 rounds of .45 caliber, 66,000 rounds of rocket ammunition, and 280,000 grenades.

"2. The Chinese Government also bought ammunition in the commercial market. Thus, in December 1947, for example, the Chinese Government signed a commercial contract for 6¼ million rounds of .50 caliber ammunition. The Chinese Nationalists also, we are informed, made substantial purchases in the commercial markets of other countries.

"3. Arsenals: Until the National Government's military collapse, which may be said to have begun in November 1948, the major arsenals in China and Manchuria were held by the Nationalists—15 major arsenals and 5 subarsenals producing considerable quantities of small arms and small-arms ammunition.

"4. From the more than a million Japanese which the Chinese Nationalists disarmed with our help, the Chinese took their ammunition as well as their arms and ammunition. The Chinese Nationalists also disarmed some 750,000 Japanese puppet troops (Chinese) and took their equipment and ammunition.

"5. It is estimated that as of VJ-day the Nationalists had a 5 to 1 superiority over the Communists in rifles and that they maintained military superiority in rifles and ammunition until after their defeats of middle and late 1948.

"There has been some attempt in this committee to prove that the Chinese Nationalists did not have adequate ammunition; that the United States was at fault in not providing the necessary ammunition; and that this lack of ammunition was responsible for the Chinese Nationalist defeats on the mainland. The attention of the committee is directed to the authoritative judgment on this question—that of General Barr. General Barr was chief of the Joint United States military advisory group; he was there in China from January 1948 to early 1949, the period when the Chinese suffered major crucial defeats which spelled the eventual doom of the Nationalist forces on the mainland, and he would appear clearly to be the man best qualified to express an opinion on the losses of the Chinese Nationalists. His reports, quoted in the record of these hearings, give his views as to the reasons for the losses of the Chinese Nationalists; it is relevant to emphasize his statement of November 16, 1948, that 'no battle has been lost since my arrival due to lack of ammunition or equipment.' In the final report of the joint United States military advisory group, there is the judgment that 'in general, troops in combat have had adequate supplies of weapons and ammunition, and their reversals are attributable to other causes than lack of equipment.'" (See China white paper, pp. 358-359.)

JULY 17, 1947.

MR. ALFRED KOHLBERG,

Vice President, American China Policy Association, Inc.,

New York 18, N. Y.

DEAR MR. KOHLBERG: This is in reply to your letter of July 8, 1947, addressed to General Eisenhower, concerning the dumping of arms and ammunition in India.

The War Department records reveal that the bulk of the combat troops supported by the United States Army in the China-Burma-India theater were Chinese. Due to the exigencies of war, the supply of ammunition requirements to the Chinese in forward areas was made almost wholly from United States Army stocks. As a result as the war progressed it became necessary for the United States Army to take over all Chinese lend-lease ammunition in the rear areas so as to integrate it into the United States supply line thereby placing it in the hands of the using troops with the least possible delay. On VJ-day, some ammunition remained in the United States supply channels which, due to its markings, could be identified as lend-lease to China.

Due to the storage conditions to which this ammunition was subjected, in many instances, in outside dumps during the seasonal monsoons, or even if placed in barchas, native storage depots, it became extremely deteriorated and corroded. Inspections by the Chinese and United States Army ammunition officers revealed that a major portion of this ammunition required destruction for safety measures. The cost of recovering the small amount of serviceable ammunition far exceeded its value. This fact had already been proved by British salvage operations on 7.92-millimeter Chinese ammunition.

This matter was discussed with representatives of the Chinese supply mission and representatives of the Chinese Army in India at which time it was decided that the most practicable disposition for this ammunition was to destroy it. This was not a unilateral decision made by the United States Army. The Chinese representatives present agreed, and a Chinese Army officer signed shipping tickets authorizing its destruction. No lend-lease credit, therefore, was given China as the supply representative in India, Mr. Chen, acknowledged China's responsibility and accepted this liability. Accordingly, as stated in your letter the ammunition was loaded aboard United States Army transport ships and dumped at sea.

This procedure was further dictated by our policy with respect to the Government of India. Chinese and United States troops in India were guests of that country. It had been agreed no ammunition would remain after their departure. To expedite the evacuation of foreign troops, the Government of India took over the disposal of the remaining balance of ammunition on April 1, 1946. Latest reports indicate this matter has just recently been concluded.

Sincerely yours,

EDWARD F. WITSELL,
*Major General,
The Adjutant General.*

DECEMBER 18, 1950.

MR. FRANCIS D. FLANAGAN,
*Chief Counsel, Senate Investigations Subcommittee,
Committee on Expenditures in the Executive Departments,
United States Senate.*

DEAR MR. FLANAGAN: In reply to your letter of December 12 making inquiry relative to dumping of munitions in what you term the China-Burma-India theater, the correct designation being the India-Burma theater at the time in question, the following is supplied by Maj. Gen. W. O. Reader, Deputy Assistant Chief of Staff, G-4. He was signal officer, CBI theater, from June 24, 1944, to May 21, 1945, Assistant Chief of Staff, G-4, India-Burma theater from May 21, 1945, until January 7, 1946, and Foreign Liquidation Commissioner, India-Burma theater from January 7, 1946, until July 15, 1946. Because of his intimate concern with the matter in question it is believed that his memory of the facts is correct as regards the major issues, though details would have to be supplied by extensive research into the theater records which are now in dead storage.

There were many types of property destined for the Chinese Government, in the custody of the CBI theater. There was lend-lease equipment which had been landed in the early days by diversion from the port of Rangoon. There was British lend-lease to China and Canadian mutual assistance material. With gold loans provided it by the United States, the Chinese Government had purchased diverse material, nearly all of a civilian nature, through two trading corporations; this material was received and stored in India by the CBI theater. In addition to this, it was originally the custom to ship United States military matériel given in lend-lease to China to the CBI theater, earmarked for China. In 1944, this custom was changed for administrative reasons, which follow. The hump lift was a severe constriction in the supply line to China. The result was that much more China military lend-lease could be shipped to India than could be forwarded from India to China. Consequently lend-lease supplies for China accumulated in India. At the same time, American troops in India and Burma were utilizing the same type of supplies and storage of material for them caused a duplication in supply and storage effort, in that full back-up for the American troops had to be maintained side by side with earmarked stock for China of the same character. Whenever a shortage occurred and it was necessary to borrow or reconvert to United States use some of the Chinese lend-lease, there was an elaborate administrative procedure to be accomplished and a considerable accounting load developed. Consequently, the CBI theater commander recommended and the War Department approved the following procedure: All Chinese lend-lease stocks in India and Burma were converted to United States stocks and thereafter United States military material was not put on lend-lease until actually issued or shipped to Chinese troops or to the Chinese Government. As a result, on VJ-day there was no United States lend-lease material of a character used also by United States troops in the India-Burma theater.

Shortly after VJ-day, the India-Burma theater was ordered by the War Department to effect as rapid a close-out as was consistent with orderly evacuation and

disposal. Types of equipment and supplies which were to be returned to the United States were designated and disposal of the remainder was directed. There were, of course, many individual decisions concerned in effectuating this general decision. One of the chief problems was material either belonging to, or earmarked for, the Chinese Government. The United Kingdom and Canada were contacted by the theater to learn their wishes as to their lend-lease material for China. Both stated that it should be given to China. After tripartite negotiations between the theater, the Government of India, and the Government of China (represented in Delhi in lend-lease matters by a Mr. Chen), it was agreed to concentrate all material for China in two locations, one at Banaghat, north of Calcutta, and the other a few miles from Karachi; the Chinese Government also agreed under urging by the Government of India to accelerate the shipment of such material to China and the theater cooperated by securing ships for the shipment. Some of the material which was either the property of the Government of China or was still earmarked as lend-lease for China had deteriorated so much as to be not worthy of shipment; among such was a small amount of ammunition which was stored along with United States ammunition, principally in Kanchrapara ammunition depot. Such ammunition as the Chinese Government did not wish to ship to Banaghat for later shipment to China was agreed to be destroyed or disposed of by the India-Burma theater. The agreement was carried out by having Chinese execute shipping tickets to the United States for such ammunition as they did not want.

The War Department had designated certain types of ammunition to be returned to the United States and the disposal of the remainder. The directed ammunition was returned to the United States. The law governing foreign disposal of surplus required that warlike material be demilitarized before disposal. In the case of the ammunition remaining for disposal, demilitarization was a formidable task. The quantity to be demilitarized was large and the experienced personnel to do it were relatively few; furthermore the rapidity of demobilization under the pressure of public opinion was fast thinning the ranks of the experienced. Safety was a very important consideration; in spite of the stringent precautions, there was at Kanchrapara an explosion which took the lives of 9 Americans and 55 Indians. Under such circumstances, the theater commander, Lt. Gen. R. A. Wheeler, recommended and the War Department approved, dumping as much as possible of the surplus ammunition at sea. Three ships were secured for the purpose; an area in the Bay of Bengal was agreed with the Government of India. The operation was carried on for about 2 months; each ship required about 2 weeks for loading, proceeding to the spot for dumping, dumping the ammunition, and returning to berth in Calcutta. It is believed that the three ships averaged four trips each and should have loaded about 10,000 short tons on each round trip; consequently, the total dumped was about 120,000 short tons. Nothing but ammunition was dumped and of the ammunition only a very small fraction was Chinese; such Chinese ammunition had as stated above, been shipped to the theater for disposal. The average original cost of ammunition during the war was about \$1,000 per ton; on this basis the value of the ammunition dumped would approximate \$120,000,000. The dumping was carried out by troops and civilians under the command of the commanding general, Base Section No. 2, India-Burma theater. At the time the operation began this commander was Brig. Gen. Robert R. Neyland; he was succeeded before the dumping ended by Brig. Gen. W. K. Wilson.

Sincerely yours,

C. C. FENN,
Brigadier General, United States Army, Retired,
Special Assistant to the Secretary.

Chairman RICHARDS. Are there any other questions?

Dr. JUDD. Mr. Chairman, I would like to say for the record that I do not think the statement in the second paragraph is quite accurate. The second sentence of your second paragraph says, "The returns—where there have been any—have been frequently, as in our nearly \$11 billion of lend-lease to Soviet Russia, tragically on the minus side."

Personally, I do not think we ever spent any \$11 billion that saved more American lives than did those \$11 billion lend-lease that we gave to the Soviet Union. The error was not in assisting the Soviet Union against a common enemy; the error, and that is the thing that was

tragic, was in assuming that because Russia for her own reasons and we for our defense were fighting Hitler together, they were also democratic and wanted the kind of world that we wanted, and would cooperate with us after the war to build it. That was a tragic error, but it was not in giving lend-lease assistance to Russia. It was in assuming that she wanted to cooperate with us after the war and basing our foreign policy on the illusion that she was a peace-loving democracy.

Mr. HART. The reason we have put this statement in here is that we believe if we had withheld lend-lease from Soviet Russia, Hitler and Stalin would have worn themselves out and Hitler would have been disposed of and Stalin would have been so weakened that he would have been stopped in his tracks. That is our theory.

Dr. JUND. I do not believe you can assume Hitler would have been disposed of, because without our assistance just at the timely moment, I suspect he would have overrun Russia. Whether he could have controlled it and occupied it afterward is another question. But it was touch and go for many weeks even with our assistance to the Soviet Union. I do not want to argue the point.

Chairman RICHARDS. Thank you very much, Mr. Hart. We appreciate your coming here to testify.

Mr. HART. Thank you, Mr. Chairman.

Chairman RICHARDS. The next witness is the Honorable Tracy S. Voorhees.

STATEMENT OF TRACY S. VOORHEES, VICE CHAIRMAN OF THE COMMITTEE ON THE PRESENT DANGER

Chairman RICHARDS. We are glad to have you here, Mr. Voorhees. Mr. Voorhees represents the Committee on the Present Danger. I believe you are vice chairman of that organization.

Mr. VOORHEES. Vice chairman of that organization, yes.

Chairman RICHARDS. Would you mind telling the committee your background in the political field, and in the private field, and so forth?

Mr. VOORHEES. If the committee please, I have no political background. I was until Pearl Harbor a lawyer in New York.

Since then I served in the Army during the war, and after that remained in various jobs for the War Department until a year ago.

Chairman RICHARDS. What was your position with the War Department?

Mr. VOORHEES. I was for a time special assistant to the Secretary of War, and then Food Administrator for the Occupied Areas, in charge of feeding Germany and Japan during the famine years; and then Assistant Secretary and still later Under Secretary of the Army.

Chairman RICHARDS. I did not mean to say political field. I know that you are anything but a politician, but I was thinking at that time about your connection with the Government when you were here.

Have you a prepared statement, sir?

Mr. VOORHEES. At the request of the clerk of the committee, I did prepare a statement, and I have it here and I can either use that statement or speak extemporaneously.

Chairman RICHARDS. You go ahead in your own way, whichever way you prefer.

Mr. Voorhees. Both for myself and for the members of the Committee on the Present Danger, permit me, first, to express our appreciation of the opportunity to present our views before this committee.

The Committee on the Present Danger, formed last fall and consisting of 55 members, is a nonpartisan, nonpolitical group of private citizens. It was formed because of a deep conviction that the United States is gravely threatened by Soviet aggression. It believes that it is still possible to avert all-out war if the danger is realized in time and if the steps necessary are taken promptly by the United States and its allies to make major aggression against them an unprofitable gamble.

The committee believes—basing this upon the substantially unanimous opinion of our responsible military leaders—that the defense of the United States requires a joint defense of Europe, and to that end the firm support of General Eisenhower's mission in Europe. It believes that this must be done without neglect of the Far East. The above program the committee considers to be one necessary for national survival.

Dr. James B. Conant, the chairman of our committee, is temporarily absent on a trip to the Pacific, and as vice chairman, I accordingly tonight appear in his place to supplement the testimony given by Mr. Paul Hoffman, also a member of the Committee on the Present Danger and of its subcommittee on foreign aid.

Beginning last February, the committee undertook an intensive study of the subject of foreign aid and its organization. This work was prosecuted actively by studies made, both in Europe and here, until a month ago when a public report was made. This consisted of a brief statement by the committee, accompanied by a summary report by its subcommittee on foreign aid, and—published separately—a detailed study of the subject. Copies of these two pamphlets have been furnished to you. I think that those have been sent to you, but they were attached to the statement sent to the committee this afternoon.

The first, or shorter pamphlet, contains a list of the members of the committee; and then the report of the subcommittee on foreign aid and the objectives of the committee.

Chairman RICHARDS. Of course, we cannot put this whole pamphlet in the record, but they are very good documents, and I have read them both pretty carefully. However, I think we should put the list of the members you have there in the record, because a great many prominent citizens are there. Without objection, that will be done.

(The list referred to is as follows:)

COMMITTEE ON THE PRESENT DANGER

Julius Ochs Adler
 Raymond B. Allen
 Frank Altschul
 Dillon Anderson
 William Douglas Arant
 James Phinney Baxter III
 Laird Bell
 Barry Bingham
 Harry A. Bullis
 Vannevar Bush
 Will L. Clayton
 Robert Cutler
 R. Ammi Cutler
 Mrs. Dwight Davis
 E. L. Degolyer
 Harold W. Dodds
 Charles Dollard
 William J. Donovan
 Goldthwaite H. Dorr
 David Dubinsky
 Leonard K. Firestone
 Truman K. Gibson, Jr.
 Miss Meta Glass
 Arthur J. Goldberg
 Samuel Goldwyn
 W. W. Grant
 Edward S. Greenbaum

Caryl P. Haskins
 Paul G. Hoffman
 Monte M. Lemann
 William L. Marbury
 Stanley Marcus
 William C. Menninger
 Frederick A. Middlebush
 James L. Morrill
 Edward R. Murrow
 John Lord O'Brian
 Floyd B. Odum
 J. Robert Oppenheimer
 Robert P. Patterson
 Howard C. Petersen
 Daniel A. Poling
 Stanley Resor
 Samuel I. Rosenman
 Theodore W. Schultz
 Robert E. Sherwood
 Edgar W. Smith
 Robert G. Sproul
 Robert L. Stearns
 Edmund A. Walsh, S. J.
 W. W. Waymack
 Henry M. Wriston
 J. D. Zellerbach

James B. Conant, chairman
 Tracy S. Voorhees, vice chairman

Mr. VOORHEES. The committee consists of Republicans and Democrats, some members of the clergy, representatives of labor, citizens who were interested in various phases of the war effort in World War II, some atomic scientists, and about nine college presidents. I do not think that there is anyone on the committee who is in active political life, except that I read in the Philadelphia papers that one of the clergymen is running for mayor of Philadelphia.

Mr. REECE. You are not hinting that if some members of your committee were in political life, that it would be a reflection on the organization? For one, I am getting tired of people, by inference, conveying the impression that a man engaged in politics is not patriotic, and the fact that membership to someone who might run for political office would reflect upon your committee. I do not think it would detract from it in any way.

Mr. VOORHEES. The presence of such a man as a member would be an honor, sir, and I did not intend any such thought as you suggest. May I say that the only reason we did not include persons in active political life was that we felt that if we had people who were in active political life, it might be said that they had some political motive in advocating the program we were supporting. For our purpose, in which we were trying to do something which we thought was of a nonpartisan nature, we felt therefore that it would be better to have people who were not in active political life. I wish to say, sir, with very great respect, that I have the utmost admiration for you people who take the heat down here day after day, and it is not because of any lack of such respect, but merely for the reason that I stated, that we organized the committee the way we did, sir.

Mr. REECE. I am sorry if I showed any feeling. I was director of the school of business administration at New York University, and a

teacher of finance at the time I got a leave of absence to run for Congress, back in 1920, and I do not think that I am any better or any worse today than I was at that time.

Mr. VOORHEES. Congressman Reece, you have done much for your country in that period. Our reason was this: We selected only a few subjects which this committee would deal with. We tried to limit its work to these few subjects which we thought were necessary purely for the defense of the country, and which therefore should not have any partisan political approach. We felt, therefore, that it was better, in order that the committee might not be claimed to have any political purpose or any purpose for the benefit of some member of the committee, not to include people who were in active political life. That was in order that we might be able, so far as possible, to command the respect and support of members of both political parties, without our advocacy of any policy being considered as favoring either the administration on the Democratic side or the Republicans, but would be, on these foreign-affairs, matters support of a national policy.

Mr. REECE. My own feeling is that a man who holds an appointive office is just as much in political life as a man who holds an elective office, the difference being principally that he sometimes is a hitch-hiker.

Mr. VOORHEES. Maybe that is what I was.

Chairman RICHARDS. Will you go right ahead?

Mr. VOORHEES. This work on foreign aid was initiated by the committee and was done completely independently, and at the committee's expense. The committee has no interest to serve except the broad objectives above stated. Its viewpoint and interest are only those of citizens for the protection of the security of the United States in a time of great danger.

We start from the fact that the policy of making the defense of the United States in Europe under an alliance is not just an administration policy, but a national policy approved by the overwhelming Senate vote ratifying the North Atlantic Treaty. Likewise, the present foreign-aid program now before you—of which the largest part is directly or indirectly for the military strengthening of our allies under the treaty—is, we believe, a national program divorced from political considerations.

Naturally, America wishes to set up a realistic defense with as few United States troops in Europe as possible. This can be done, given time. Europe has the manpower, and our present atomic strategic bombing supremacy should give us the time—but not time to waste. It, therefore, makes sense to supplement what Europe can do alone toward creating and equipping this joint force. This supplement is the largest part of the foreign-aid request now before you.

Apart from this rearmament, our aid for Europe's economic recovery under the Marshall plan would be now virtually completed a year ahead of schedule. The so-called economic aid for Europe in the present request is, with minor exceptions, in reality indirect military aid. Literally, it is economic aid for a military purpose. Whether aid is given in dollars to make possible increased European military production there, or is furnished through military end-items from here, is a difference of method merely, not of purpose. Both kinds of aid are to supplement the ability of each recipient nation to meet its agreed troop basis as a member of the North Atlantic alliance.

Therefore, in this planned aid to Europe, all aid is essentially part of one program for one purpose; all aid is to supplement what the local economies can do; all aid is essentially for a military purpose. This unity of the program should be recognized by creating an administrative set-up adapted to these conditions.

The existing split in administration is an historical accident resulting from earlier particular programs: ECA for European economic recovery; military aid through the State Department, first for Greece and Turkey, then for the North Atlantic countries; and technical economic assistance--point IV--in the State Department.

Since Korea, so-called military aid has come to constitute three-fourths of the program. But the previously existing split-up administrative organizations still continue, subject to a recently created form of committee government or coordination by a committee headed by an official of the State Department. Experience has shown that committee direction and split administration cannot produce fast, decisive, and economical results in such an operation. This is a business enterprise. It should be put on a business basis, both for economy and to get results in time.

Fortunately, we have an invaluable precedent which has worked well in the similar job involved in the Marshall plan. It was worked out 3 years ago last spring after exhaustive consideration in Congress, and it has functioned well. That precedent should, we believe, be applied to the present even greater task. Under it, foreign policy would be made by State, but the business operation of managing the aid program in accordance with such foreign policy would be in a single agency formed for this purpose. It would bear the same relationship to State that ECA does—one in which no dispute ever had to be taken to the President.

As to defense, its relationship would be, as Mr. Hoffman testified, quoting from the report in which he participated, "essentially the same as defense's present relationship to State in the mutual defense assistance program." When the first MDAP appropriations were made, they were assigned by the President to the State Department. Such appropriations have been principally used for purchase of military end-items in this country. This procurement was carried out by State through the Defense Department, and the money was transferred to Defense for such purpose. As to military end items procured in the United States, this would be followed in the plan we propose except that it would be the new agency, instead of State, which would be turning over the money to Defense for the procurement. But the agency would, of course, try to develop more sources of production in Europe.

The common sense, down to hard rock, reasons why there should be one such administrator for all foreign aid seem to us to include the following:

1. One man should have the job—just as the ECA Chief has had it—of finding out how much United States aid each country really needs to supplement its own budget and resources in order to meet its agreed troop basis. The American people should provide only the amounts—whether in end-items or in dollars—beyond that which the convalescent, but still not too strong, European economies can pay by reasonable action through their own budgets.

ECA provided its total aid, pursuant to the congressional mandate in the statute, under bilateral agreements which required that the recipient countries do their part. So the new Administrator should be required by the statute to make an over-all bilateral agreement with each recipient as a condition of all United States aid.

Lacking this, we have had in the past two separate appraisals of the amount of aid required: one economic by ECA; one the number of military end-items by State or Defense. Yet the total amount of each kind of aid should be proportioned to the other. Together they should be the amount required to make up the total deficit which the recipient country could not bear alone and still meet its troop basis.

2. The second thing which the Administrator should do, if this whole matter is to be put on a business basis, is to have, what Mr. Hoffman called a loud voice in determining what military products can be produced in Europe itself instead of sending United States end-items. This is necessary to make intelligent use of the European economies themselves. What has happened to date is that most of the so-called military aid has simply been contracted for in the United States, further overtaxing our economy and increasing inflationary pressures here. The German economy, strong as it is, has, for example, not been significantly used. It is not a Defense Department function—and Defense is not equipped—to go through the various European economies to develop their production. This can only be done by an agency with economic missions in each country, as ECA has, which the new administration would take over. Then—using the illustration contained in a question asked Mr. Hoffman yesterday by a member of this committee—and I do that from memory; I haven't a copy of the record—if one European country can make minesweepers and another can make small arms, and each needs the product of the other, the aid can be administered and the undertakings incorporated in the bilateral agreements in such manner as to use all such production fully. This would be done instead of, as stated in the question yesterday, supplying both minesweepers and the small arms from the United States because the other countries could not agree between themselves.

Basic in such a unified approach is that there would be no hard and fast division in advance between the amount of so-called military aid—now really United States end items—and so-called economic aid—now dollar assistance. The Administrator should be directed by the statute to promote, so far as can reasonably be done considering all factors, the production of Europe, and to use the power of the purse strings, as ECA did in its program, to see that this will be truly a mutual-assistance program, not just a United States give-away program. In this way we can give Europe the chance to earn dollars. We can increase the total output, decrease the United States cost, and make Europe a more active partner in the enterprise rather than a recipient. Also, in this way we can provide for Europe to produce the spare parts and servicing for United States end items furnished to them, averting a continuing drain on United States aid for this purpose.

Of course, the judgment of the Defense Department and of General Eisenhower as to the speed necessary for timely delivery, the security factors, the requirements and specifications, would have to guide the Administrator.

3. I believe that the Administrator should be required by the statute to administer the total aid to any individual member nation with particular regard to the recommendations of the supreme commander. Congressman Herter has already drawn attention to this matter. At present, apparently the supreme commander lacks a sufficiently authoritative voice in the equipping of the armies being created under his command. To correct this, the over-all bilateral agreement covering all aid to a country could be of the greatest value. The total assistance, whether called military or economic, would then flow in accordance with the needs of the supreme commander and the progress the recipient countries make to carry out their undertakings—both those in the bilateral agreements with the Administrator, and those consisting of commitments relative to the joint force under General Eisenhower. If the United States is going to furnish billions of aid for Europe to make possible a strong early defense, why should it not do so in a way to back up the judgment of the general it sent there to direct and create such defense?

4. The Administrator should see—just as ECA did in Europe—that each country furnishes maximum aid to other countries. There is no more wasteful method than separate dollar appropriations, separately administered, for aid to different areas with each recipient country looking to the United States for what it needs. In the Marshall plan, and limited solely to economic aid in that area, such mutual assistance was exploited effectively by ECA as the statute directed. But such countries also trade with the underdeveloped areas. To whatever extent is possible, aid which one country requires should be conditioned upon its supplying aid of kinds which it can furnish which other recipient areas require, whatever their geographical location. This is not only a sound measure for economy, but it is consistent with the dignity and sovereignty of the nations themselves. Frequently, they have evidenced a strong desire to earn their way. Japan, which last year had received \$250 million of economic aid, requires none this year, largely because of the earnings it has made through vigorous support of the United Nations war in Korea. I am informed that a high official of the German Government was this month knocking on doors in Washington asking for an opportunity to earn through production for the defense effort. In southeast Asia, Japan at low cost can furnish much of the economic aid and also technical assistance required. In doing so, she could keep herself solvent if the Korean fighting stops, and do so without United States aid. While the United States economy is overtaxed, there is definite gain in resistance to inflation here by such methods. Also enormous dollar savings are possible. In one instance in the Far East, such literally mutual aid reduced the net cost of certain United States military installations to less than 10 percent of what had been previously spent for similar construction. If the United States is going to run this long hard race of world leadership, it must do it efficiently on a business basis. At least, so we believe.

Finally, such Administrator would answer the problem dramatized by the Kem amendment. He would at once become in effect the mutual defense assistance officer contemplated in Congressman Battle's bill just approved by this committee. Here again, with the desired principle stated by the Congress in the legislation, the Administrator could, through the bilateral agreements and exercising

discretion in each case, apply the desire of Congress to control unreasonable trade which would have on balance military value to the Communist build-up.

In the above, I have for clarity referred substantially only to assistance for military purposes. This is not due to lack of interest in the underdeveloped areas, or the point 4 program. Over the long range that program is an essential part of our defense and successful world leadership against communism.

The heart of the matter is that the United States, to assert leadership which is thrust upon it and which is necessary for its own defense, must carry a heavy load for a long period. But this must not be a heavier load than necessary, and it can be made lighter only by sound, centralized business administration conducted on a nonpartisan, non-political basis, under the control of one pair of strong hands holding the purse.

The administrative change could be accomplished without serious disrupting going organizations. ECA has the bulk of the personnel and organization required, including the missions in the recipient countries. With them would be merged personnel from the military defense assistance program and point 4 in State. As liaison officers, there would be military personnel now engaged in these programs in the Defense Department. With the new and broader mandate, there would be no need to start from scratch or seriously to disrupt going operations.

As to the size of the appropriation, since we must make our defense in Europe, and since we have no guaranteed minimum time in which to create it, speed is essential. General Marshall has, I understand, indicated that foreign military aid appropriations for 2 or 3 years of the general order of magnitude of the present request will be necessary. Since the object is military, since speed is important, and since the present request constitutes, according to General Marshall's testimony, only one-third or one-half of the total which will be required, clearly there is no true economy in cutting down the present request. The obligating authority should be given to get as rapidly as possible the equipment required for the troop basis which our military command considers necessary to constitute a realistic European defense.

We are apparently planning to spend about \$60 billion on our own Defense Establishment. The present foreign-aid bill, through which we plan to develop the military strength of our allies, is just as truly a defense cost as our own Defense Military Establishment. Further, since our allies are contributing troops, this constitutes, as I believe Mr. Foster has testified, a lower defense cost for the same amount of military strength. We can no more afford to fail to strengthen our allies by the foreign aid requested than we can fail to provide the funds necessary for our Army, Navy, and Air Force.

The total request for foreign aid is only 12 percent of our total security budget. If we can afford the latter we cannot afford not to provide the former, which is an essential part of it. Put in other words, if we are to have a realistic defense and do not give this aid to our allies, we may need 12 United States divisions or 20 divisions in Europe instead of the 6 now planned.

It is for these reasons that the Committee on the Present Danger, after careful study, endorses an appropriation of the general order of magnitude requested.

Finally, let me quote with especial emphasis the last paragraph of our subcommittee's report, which it entitled "The Overriding Consideration."

While the foregoing seems the soundest organizational structure, the consideration of supreme importance is that this country give the aid to General Eisenhower in setting up the forces in Europe called for in the joint defense of the free world and also give such other aid as is vital elsewhere. Therefore, while we recommend an organization which we believe will be more economical in operation and sounder in structure than the split administration now existing, we also recommend that an appropriation of the order of magnitude proposed be supported unreservedly under whatever form of organization the Congress determines to be most effective. For organization, while important, must be considered as secondary to the over-all objective of furnishing the sinews necessary, in whatever form, to enable our allies to participate with full effectiveness in the joint defense and to take the broader measures in all areas required to win the peace.

Chairman RICHARDS. Thank you, Mr. Voorhees. That is a very interesting and bold statement.

Mr. Mansfield, we will proceed under the 5-minute rule.

Mr. MANSFIELD. Mr. Voorhees, I want to join the chairman in complimenting you on a very able statement. I am especially interested in the possibility of one organization administering these aid programs and am very happy to see how much detail you have gone into explaining the point of view of the Committee on the Present Danger. I wish if it were possible that you would furnish the committee more in the way of an organizational set-up for such an organization, if your committee can do so.

Mr. VOORHEES. We will be very happy to try to do so, sir.

Mr. MANSFIELD. I was also pleased to note your reference to point 4, because, as Mr. Rockefeller pointed out yesterday, this country is fast becoming a have-not country and we are losing our resources. He pointed out as an example just how short we were in manganese and how dependent we were on other countries outside this hemisphere.

I should like to add to what he said, and point out that as far as copper is concerned, and copper is synonymous with the rise of civilization, as far as this country goes we will be out of copper in 75 years except for one camp, and that is Butte, Mont. I bring that to your attention not because it happens to be in my district, but because of the fact that it is the only major mining camp in a copper sense which at that time will be producing in this country, and because that emphasizes that in copper and other metals, as well as in manganese, we are becoming more and more dependent upon outside sources, and one way to overcome this deficiency is through the development of a sound point 4 program which will enable us to be assured of these sources of supply as we become weaker in them.

Thank you very much, Mr. Voorhees, for a fine statement.

Mr. VOORHEES. I had the pleasure of being present at the direct testimony but not during the questioning of Mr. Rockefeller yesterday, and it seemed to me that his was a completely unanswerable statement as to the underdeveloped areas. In our detailed study which is the longer document there, which is furnished to you, at page 20, there is a discussion of the underdeveloped areas, beginning at page 20. Participating in that study was Dr. Theodore Schultz, who is the man who headed the study which was made for the United Nations, which pointed out that the underdeveloped areas of the world require foreign

capital totaling at least \$10 billion per year, if the productive capabilities are to be fully developed. Clearly what we are now trying to attempt is a very modest approach toward that. But I think that our committee has fully appreciated the importance of these areas. In spending more of my time today on the question of the military approach, I want to be very clear that I was not intentionally neglecting the other subject in which our committee was equally interested.

Mr. VORYS. Your committee has done a very great service, Mr. Voorhees, in helping us to think through this organization problem. What puzzles me is this, and you know all about it; you lived through the birth pangs of unification in the military department, where we said we are not going to have our military all scattered out, and you are now taking part in the proposed birth pangs of a duplication of our nonmilitary foreign affairs. This is not a temporary thing. This is a 10-, 20-, or 30-year business. It is a long-term activity. It seems to me what you are driving at is that we have a better State Department, a better department for foreign affairs, to handle the nonmilitary foreign affairs of the country, the economic foreign affairs, and to have a voice of control in our military affairs.

I know you have studied a great deal about it. One thing you mention here is that the new administrator should be required by statute to make an over-all bilateral agreement with each recipient. Both MDAP and ECA require bilateral agreements, and I have got them here and they are quite broad. Do you mean additional bilateral agreements?

Mr. VOORHEES. No, sir. What I referred to was the great importance in achieving ECA's objectives for economic recovery through its bilateral agreements. As it stands now, speaking rather colloquially, it is as though each European nation could go to mama for its economic aid, and papa for its military aid. If we are going to get the maximum effort from the recipient nations, our aid should be conditioned upon one agreement between our Nation and the recipient nation, under which it would be spelled out not merely what that nation is to do for economic recovery as ECA has done in its agreements, but what that nation must do in the whole joint defense effort. An illustration is that such agreements could include the principle that trade which on net balance is of military value to the Communist should not be carried on. We recognize that this principle is a tremendously complicated thing to administer. All Congress can do is to state the principle in the act, just as the only thing ECA can do in the bilateral agreements is to state the general principles.

But if you consider what could be done by fully developing an over-all bilateral agreement for all aid, and then conditioning the flow of all our aid upon that and upon the degree of performance of the obligations, the degree of support of the supreme command, the resulting gain in cooperation could be tremendous.

Mr. VORYS. But we have got those agreements now.

Mr. VOORHEES. We have bilateral agreements made with two separate agencies at the present time. I might put it this way: We started with the great debate in the spring of 1948, as to how the Marshall plan should be set up, and it was there determined and was the will of Congress, and it has worked, that there should be a separate agency which would do the operational job. I have before me, and I was reading this afternoon, the details of that ECA legislation, and how ECA would be fitted in with the State Department's policies.

Actually it is the Secretary of State who signs the bilateral agreements. However, it is the ECA Administrator who recommends their terms. In each country the head of the ECA mission has been junior to the ambassador. The ambassador has been the senior man.

Mr. VORYS. That is right.

Mr. VOORHEES. And there have been very few complaints.

I had some familiarity with that situation when I was in the Army, and was working primarily in the occupied areas, the arrangement worked very well.

Now, it seemed to us as though that precedent which has worked with ECA could be carried out effectively in this broader field.

Mr. VORYS. At the present time there is a three-man team, in the NATO countries, that is State, ECA, and military.

Now, would you cut that down to just one or two?

Mr. VOORHEES. Of course, you have your ambassador who has got to be your top man. You cannot have an ambassador in any country who is not the top man.

Mr. VORYS. You all agree on that.

Mr. VOORHEES. We are urging that this ECA-State relationship be followed as to all aid, because it has worked successfully. The ECA mission head would of course be subordinate to the ambassador. Although the ECA mission head reports directly to the Administrator, he also has to keep the ambassador fully informed of what he is doing and proposes to do. And he is limited to actual operations. The ambassador carries on the diplomatic negotiations.

Now as to the military matters you of course have a military attaché or a military mission are also under the Ambassador.

Mr. VORYS. He is a part of the whole MDAP. But my time is up, and I am reminded by my colleague.

Mr. BATTLE. Thank you for a very excellent statement. I want to say that I have a very close personal friend in Mr. Douglas Arant of Birmingham, Ala., who is a member of the Committee on the Present Danger, and if all of the members of this committee are of the same high caliber, you are destined for great things.

In following up Mr. Vorys' line of thought, do I understand that you are advocating one agency for all foreign aid?

Mr. VOORHEES. Yes, sir.

Mr. BATTLE. On an independent status?

Mr. VOORHEES. Yes, sir.

Mr. BATTLE. And would this administrator have cabinet status?

Mr. VOORHEES. Under the report of our subcommittee which is before you it is recommended that he have Cabinet status.

Mr. BATTLE. And he would have charge of both the military and economic aid?

Mr. VOORHEES. Yes; sir; he would perform essentially the same work which is now performed both by the ECA and by the State Department. That is ECA in economic aid and the State in military aid, and of course all procurement of military items in this country would have to be done by Defense. The agency's relationship to Defense would be substantially the same as the present relationship of State to Defense.

Mr. BATTLE. Mr. Vorys was talking about our country teams in foreign nations, headed by our Ambassador. According to your plan would the military and economic directors come under the Ambassador?

Mr. VOORHEES. Yes, sir; that is right. The ECA Act provided expressly that ECA mission heads would be junior to the Ambassador and that would have to be so.

Mr. BATTLE. Would there be a military administrator with the same status as the economic administrator?

Mr. VOORHEES. There would of course have to be advisory members. When you get over there you are in a little different situation in that you have an international organization under an American Supreme Commander. Of course the ideal thing, if we could just get away from all formalities and catchwords of "economic aid" or "military aid," would be to have aid from the United States, provided in a way to back up our American Supreme Commander over there, and that is the very simple thing that we really want done.

He is an international officer but there is no particular reason why we as Americans in supplying United States aid from United States taxpayers' dollars could not provide it in such a way as we want to help him get on with the job for the joint defense. Of course, a very great deal could be done to weld our aid organization in with that NATO organization at the present time. I don't know whether you perhaps have before you the organization over there. It is a surprising thing. Perhaps it has been inserted in your record already, and if it has not, it might possibly be of interest. The Supreme Commander is on about the fourth level from the top.

Mr. BATTLE. We spent a week in Europe recently trying to figure out the organization outlined by this chart.

Mr. VOORHEES. It was quite beyond me, although I had been more or less inured to charts over in the Pentagon and had seen lots of them, some of which I could understand. But I cannot understand this one. The simplification of that would be a very essential thing to make our defense effort in Europe successful.

Mr. BATTLE. The main reason this thing works is due to some mighty good personnel overseas, and not because of the organization.

Mr. VOORHEES. I should like to say that our study came to the conclusion, and it was stated in our report, that the only reason this worked was because of the high quality of the personnel, both over there and here and their determination to cooperate with each other in spite of the organization.

Mr. MANSFIELD. Will the gentleman yield there for just a moment?

Mr. BATTLE. Yes, sir.

Mr. MANSFIELD. Mr. Voorhees, following Mr. Battle's line of questioning, and taking this chart into consideration, do you think that your committee could in its wisdom work out a proposed chart for a reorganization on a single project scale?

Mr. VOORHEES. I am not sure it could do it "in its wisdom," but it will do its best if you wish. One of the things might be to bring in the Supreme Commander from right field and make him the pitcher. It is an amazing thing, but the public believes that General Eisenhower, because of the title "Supreme Commander," has a position over there which in fact he does not have at all.

Mr. BATTLE. I want to ask one more question, if my time is not taken up. I would like to thank you for mentioning the Battle bill, and say it is really a committee bill and not mine, but do you think that the principles of that legislation are sound so far as the control of east-west trade is concerned?

Mr. VOORHEES. I am not a sufficient expert to answer as to the detail of it. We are making and have almost completed quite a detailed study of that subject which, with your permission, we will furnish to the members of this committee within a few days.

Mr. BATTLE. We might insert that information in the record, Mr. Chairman.

(The material referred to is as follows:)

**LIMITATION OF TRADE OF THE FREE WORLD WITH THE SOVIET BLOC AS A
CONDITION OF UNITED STATES FOREIGN AID**

The controversy over the Kean amendment, and the prospect of stringent limitations being placed in any new foreign-aid law upon the trade of recipient countries with the Soviet bloc, have focused interest upon the subject of such trade and its control.

I. STATEMENT OF THE PROBLEM

It has been the policy of the United States under the Marshall plan and other foreign-aid programs to make such aid conditional upon the undertaking of certain broad commitments by the recipient countries. These commitments have been consistent with a due regard for the sovereignty of the countries undertaking them. They have generally been designed to assure the effective use of the resources of each country for its own economic recovery and in cooperation with other countries in the common recovery effort. They have been based on the common-sense principle that a country could be considered eligible for aid only if it were prepared to make effective use of it and to refrain from actions inconsistent with the purpose for which the aid was given.

The economic recovery goal—apart from rearmament needs—has virtually been reached in Europe. The primary purpose of future aid to that area is to build up ability to resist the threat of Communist aggression. Continued aid to other areas of the world has a related object. Prevention of Communist subversion in such areas is still a necessary purpose also.

The United States has the right to expect that the nations receiving aid will support the common effort by positive action to help themselves and each other. Particularly, we have a right to expect that they will not engage in trade with the Soviet bloc which would undermine the common security by strengthening the military position of the potential aggressor relative to the free world. This should preclude shipment of goods which would directly support the military effort of the Soviet bloc. Honest differences of opinion can and do arise, however, in the case of trade involving goods having a less obvious and direct bearing on military strength.

Since economic strength is a basic component of military strength, all trade has some military implications. For example, the military effort of a country may be greatly aided by furnishing consumer goods essential to the morale and efficiency of its labor force. The principle, however, cuts both ways, as imports from the bloc similarly help to maintain or build up the strength of the free world. The question, therefore, is not whether particular exports are beneficial to the Soviet bloc (it may be assumed that they are) but whether the balance of advantage is favorable or unfavorable to the free world. The answer to this question requires careful weighing of economic, political, and psychological factors. It is a complex, difficult, and constantly changing series of problems with many facets. As such it cannot be dealt with rigidly by legislation. Legislation can state the principle. Imaginative and forceful administration with a right to use discretion and to act flexibly to meet countless particular situations as they arise must supply the answers. If surgical operations on trade are to be performed, they require a surgeon's skill.

II. DIMENSIONS OF THE PROBLEM

The value of commodity exports from the free world to the Soviet bloc (the U. S. S. R. and its European satellites plus Communist China) appears to have totaled between \$1.6 and \$1.7 billion in 1950. Imports to the free world from the bloc totaled between \$1.7 and \$1.8 billion in the same period. The United States and Canada exported slightly more than \$200 million worth of goods to Iron-curtain countries and imported just under \$300 million worth of goods from them.

In 1950. The exports of the Western European countries to the bloc were valued at roughly \$1.1 billion, as against approximately \$1.2 billion worth of imports from the area. The remainder of the trade—between \$300 million and \$400 million worth of exports and between \$200 million and \$300 million worth of imports—was accounted for by the rest of the free world.

Trade of Western Europe

The above figures show that Western Europe accounts for some two-thirds of the trade between the free world and the Soviet-dominated areas. About 90 percent of such European trade is between the naturally complementary economies of Eastern and Western Europe.

Estimates based on official reports indicate that the value of Western European commodity exports to iron-curtain countries totaled slightly less than \$1.1 billion in 1950, of which approximately \$900 million was accounted for by exports to Eastern Europe. In return, Western Europe imported goods having a total value of approximately \$1.2 billion from these countries, of which roughly \$1.1 billion came from Eastern Europe. These figures represented approximately 5 percent of the total export and import trade of Western Europe in the past year.

The estimated dollar value of the exports and imports of the Western European countries accounting for most of the trade with all iron-curtain countries is shown in the table below. The countries appear in order to size of total exports to the Soviet bloc. The United Kingdom is the principal trader, by this standard. The trade of Western Germany which is second in line is probably substantially understated, since a recent congressional investigation reported a large volume of unrecorded trade between the western and eastern zones of that country.

TABLE I.—Trade of major Western European countries with Soviet bloc, 1950¹

(In millions)

	Exports	Imports		Exports	Imports
United Kingdom.....	\$197	\$321	Italy.....	\$67	\$61
Western Germany.....	105	96	France.....	58	59
Sweden.....	107	90	Denmark.....	47	81
Switzerland.....	86	61	Austria.....	47	54
Belgium.....	86	88	Norway.....	33	44
Netherlands.....	68	102	Turkey.....	18	20

¹ Basic figures on trade between Eastern and Western Europe were derived from Recovery Guides for April 1951, issued by the Economic Cooperation Administration. Adjustments were made to exclude estimated trade with Yugoslavia and to include an estimate of trade with Communist China. Trade with Finland is included in these figures, although such trade would ordinarily not be included in the trade of the bloc.

The ratio of a country's trade with the Soviet bloc to its total trade is a better indicator than the absolute volume of such trade of the degree to which its trade is oriented toward that area. In table II the major trading countries of Western Europe are listed in descending order of magnitude of the percent of total exports accounted for by exports to the Soviet bloc. Austria, under four-power occupation, heads the list, with 15.4 percent of its total exports and 12.5 percent of its total imports in 1950 accounted for by trade with the Soviet bloc. The National Security Council has already determined that the terms of the Kem amendment (banning aid to any country exporting "arms or armament or military matériel or articles or commodities which * * * may be used in the manufacture of arms armament, or military matériel" to Soviet-dominated areas) should not be applied to Austria. It has issued a similar determination with respect to Norway, which appears fourth on the list in table II. Sweden and Switzerland, respectively second and third on the list, are members of the Organization for European Economic Cooperation but are not members of the North Atlantic Treaty Organization and are not dependent on United States aid. Western Germany, which appears well down on the list, would probably move up if illicit trade were included in the estimate. The United Kingdom, the leading exporter in terms of the absolute volume of trade, is next to last—followed only by France in terms of volume relative to total trade.

TABLE II.—*Trade of major Western European countries with Soviet bloc as percent of total trade*

	Percent of total exports	Percent of total imports		Percent of total exports	Percent of total imports
Austria.....	15.4	12.5	Italy.....	5.6	4.3
Sweden.....	9.7	7.6	Western Germany.....	5.4	2.5
Switzerland.....	9.5	5.8	Belgium.....	5.3	3.0
Norway.....	8.5	6.5	Netherlands.....	4.9	5.0
Turkey.....	7.8	8.1	United Kingdom.....	3.1	4.7
Denmark.....	7.1	9.6	France.....	1.9	2.0

The commodity composition of trade between Western and Eastern Europe follows closely the prewar pattern, with manufactured industrial products predominating in exports to the east and food and industrial raw materials comprising the bulk of imports from that area. In 1949, Western Europe exported machinery to the east valued at almost \$200 million, or 26 percent of the value of total exports to that area. Textiles accounted for an additional \$100 million, or 13 percent of the total export volume. Other major commodity exports were chemicals and products (\$54 million), iron and steel products (\$58 million), and nonferrous metals and manufactures (\$43 million). Altogether the above items totaled roughly 60 percent of the aggregate exports. On the other side 60 percent of Western European imports from the east were accounted for by foodstuffs (principally grains), timber, and mineral fuels (chiefly coal). About 1.1 million metric tons of bread grains have been imported annually from Eastern Europe in recent years. Imports of coarse grains have varied from 1.1 to 1.5 million metric tons. Coal imports principally from Poland and Czechoslovakia, totaling 10 to 13 million metric tons per year, have been an important supplement to Western Europe's fuel and power resources. The bloc supplies 5 percent of Western Europe's total consumption of timber (sawn softwood and pit props). Eastern Germany exported about 330,000 metric tons of potash (in terms of contained plant food) to Western Europe in 1949, and 190,000 tons in 1950. Western Europe is deficient in this import fertilizer material. The dollar value of United States and Western European imports of manganese and chromite from Eastern Europe is small relative to the total volume of trade but significant because of limited world supplies of these commodities.

While, as illustrated above, trade between Western and Eastern Europe is for the most part an exchange of fabricated articles for foodstuffs and industrial raw materials, there are several notable exceptions to this general rule. In 1949, Eastern Europe imported \$41 million worth of foodstuffs from Western Europe (compared with \$250 million worth of foodstuffs imported by Western Europe from the east) and exported \$53 million worth of machinery to the same area. Eastern Europe's exports of transportation equipment to Western Europe almost equaled its imports of similar equipment from that area in 1949.

It is estimated that Western Europe exported approximately \$130 million worth of goods to Communist China in 1950 and imported about \$110 million worth of Chinese goods in the same period. The major exports were metals and metal products, chemicals, machinery, vehicles, and textiles. Because much of China's import trade moves through Hong Kong and Macao, it is not possible to identify sources accurately. The United Kingdom was the source of roughly 60 percent of Western Europe's exports to the China area. Western Germany accounted for another 20 percent. The remainder was scattered among other Western European countries.

The commodity composition of China's exports to Western Europe was much more diversified than its imports from the area. Oils and oilseed (including tung oil, soybeans, and peanuts) accounted for 30 percent of the total value. Other important commodities were hog bristles, silk and silk noils, feathers, and tungsten.

Trade of other free world countries with the Soviet bloc

The dollar volume of trade between other free world countries and the Soviet bloc is small relative to that of Western Europe. In 1950, countries other than the United States, Canada, and Western Europe exported between \$300 and \$400 million worth of commodities to the bloc and imported \$200 to \$300 million worth of commodities from it. The bloc's deficit with these areas was presumably

financed from earnings in trade with other areas, especially the United States and the United Kingdom, and possibly from the proceeds of gold exports.

While the volume of trade was relatively small, the commodities involved are most important to the economy of the Soviet bloc. The bloc's principal imports from this area in 1950 included wood from Australia, New Zealand, South Africa, Argentina, and Uruguay; cotton from Pakistan, Egypt, and Brazil; crude rubber from Malaya and Indonesia; jute from India and Pakistan; tin from Malaya; and machinery, metal products, and textiles from Japan. In return, Czechoslovakia was an important source of machinery and equipment for many of these countries; China's exports to the area included foodstuffs (soybeans, rice, and peanuts), coal, iron ore, silk, and ramie; other satellites and the U. S. S. R. furnished grains, timber, paper and pulp, potash, and some machinery and equipment.

The relative vulnerability of the free world and the Soviet bloc

Three major considerations must be noted at the outset in any attempt to appraise the relative vulnerability of these two groups of countries to the curtailment or termination of trade between them.

(1) Since both groups have huge total populations, encompass immense land areas, and have broadly diversified natural resources, it is probable that neither would be decisively crippled by cutting off the supply of any commodity. Substitutes or increased production from local resources are available in many cases; in other cases, scarcities may be offset by curtailing less essential uses.

(2) Most trade between the two areas is based on bilateral agreements resulting from shrewd bargaining for "hard" goods, i. e. goods which are especially important to the prospective purchaser, with "soft" or less essential goods accepted by one in return for concessions by the other. The reduction or elimination of a "hard" export by one side is likely to result in reciprocal action by the other. The United States, it is true, has been able to continue importing substantial quantities of goods from the Soviet bloc despite a severe reduction in exports to that area. Since settlement was made in dollars, the bloc was thereby enabled to purchase essential commodities elsewhere. This alternative is not open to most other nations. With basic commodities becoming increasingly scarcer than the dollars with which to purchase them, it may not remain open much longer even for the United States.

(3) Differences in the approach to trade of the two areas reflect basic differences in their respective economic and political structures. The countries of the Soviet bloc are generally not highly industrialized but are using the methods of the police state to promote ambitious programs of economic development aimed at industrial self-sufficiency. The curtailment or cessation of imports from the free world would not create major unemployment problems but would probably slow down the rate of industrial expansion. The more complex and freer economies of the rest of the world, on the other hand, would have to face the threat of unemployment due to the loss of markets and reduced living standards due to the loss of sources of food and raw materials.

In view of the above, we may conclude that any reduction in trade will have some adverse effect on both sides, but that no reduction will decisively cripple either. It is probable that reducing or eliminating the following exports from the free world (other than implements of war, atomic energy, and certain other strategic raw materials, which are already banned) would have the most damaging effects on the economies of the Soviet bloc:

(1) *Machinery*.—Curtailing or ending the flow of replacement parts for machinery and equipment already installed as well as of new machinery would directly reduce the rate of industrial rehabilitation and expansion in many Soviet bloc countries, especially in Communist China.

(2) *Rubber*.—The Soviet bloc produces very little natural rubber although it has developed a large capacity to manufacture the synthetic product and may by this time have a substantial stockpile of imports. The denial of exports from the free world might, in time, restrict the bloc's rate of industrial expansion or its military effort, or both.

(3) *Textiles and textile fibers*.—About 30 percent of the bloc's consumption of wool depends on imports. While Russia exports cotton and China is a major world producer of both raw cotton and finished textiles, the bloc as a whole depends on imports for about 20 percent of total cotton textile consumption. The bloc also imports substantial quantities of rayon. Since the basic fibers are partly substitutable for one another and since imports of finished textiles can release domestic raw materials for other uses, effective control of the bloc's imports of these materials would require control of both raw materials and finished products.

Such controls might appreciably affect living standards and industrial efficiency in several of the major Soviet-dominated countries.

The above-described effects of trade reductions on the Soviet bloc have, of course, to be weighed against the effects of reciprocal reduction on the free world economies.

In a few cases (e. g., exports of fish from Norway and Iceland) it would be extremely difficult to find alternative markets. Some transitional unemployment might be encountered in industries producing machinery and metal products in Western Europe and Japan, but it should be possible to take up the slack in most cases to meet the increased demands of western rearmament and in promoting the development of the underdeveloped areas. In the short run, at least, most of the primary commodities now exported to the Soviet bloc by the underdeveloped areas can find adequate markets in the free world.

The reduction or elimination of the flow of certain major supplies from the Soviet bloc to the free world would have a serious effect on the economies of Western Europe and Japan by impairing present levels of recovery or impeding continued industrial expansion. The following principal examples may be cited:

(1) *Foods*.—Western Europe would need to find alternative sources of imports of more than a million tons of bread grains and up to 1.5 million tons of coarse grains, now coming annually from Eastern Europe. In the current year, the United States could furnish the bread grains and, by reducing stocks and consumption by livestock, most of the coarse grains. Similarly, Japan's current deficiency in fats and protein foods cannot be made up except by increased imports from China or further drawing on limited United States supplies. In each case, increased dependence on the United States would result in a widening of the dollar gap, and increased burdens on inland and ocean transportation facilities.

(2) *Timber*.—The United States and Canada, the only feasible alternative sources of timber imported into Western Europe from the East could make the required quantities available only by further cut-backs in domestic consumption, further burdening of transportation facilities, and increased dollar aid.

(3) *Coal*.—Continued expansion of the fuel and power resources of Western Europe and Japan, essential to the common defense effort, requires increased imports of coal. Cutting off imports now coming from Eastern Europe and Communist China would further expand requirements from the United States. While supplies are available here, increased exports to these areas would add to heavy present burdens on inland transport and ocean shipping facilities and would widen the dollar gap of both areas.

III. POST-WAR UNITED STATES POLICY WITH RESPECT TO TRADE WITH THE SOVIET BLOC

In the immediate postwar years, the United States does not appear to have applied any special restrictions on its own trade with the U. S. S. R. or satellite countries. In December 1947, the acting Secretary of State testified before the Senate Appropriations Committee that "The situation up to the present time is that trade with Russia moves under the same general provisions applicable to other countries that have normal trade relations with us."

In March 1948, however, the United States imposed severe restrictions on exports to the U. S. S. R. and satellite areas in the interests of security. These restrictions have sharply reduced the volume of exports going to those areas, especially in the case of the U. S. S. R. Commodity exports to that country, which totaled \$149 million in value in 1947, were reduced to \$28 million in 1948, \$7 million in 1949 and to less than \$1 million in 1950. Exports to European satellite countries were cut back somewhat less sharply, from \$191 million in 1947 to \$96 million in 1948, \$55 million in 1949, and \$26 million in 1950. Some restrictions were apparently applied to exports to China after the Nationalists had been driven from the mainland and the restrictions applicable to the U. S. S. R. and satellites were applied, beginning in March 1950.

Until recently, no attempt was made to control imports into the United States from the Soviet bloc. Congress has directed the cancellation of all concessions granted to the Soviet bloc since the beginning of the reciprocal trade agreement program. This will become effective upon expiration of the required notification period. While imports from the U. S. S. R. have been reduced from a high of \$87 million in 1948 to approximately \$40 million in each of the last 2 years, imports from other countries of the bloc have been maintained or increased. The result has been that the balance of commodity trade, which was strongly favorable to the United States in 1947, changed to a small balance in favor of the bloc in 1949

and a substantial balance in its favor in 1950. The hard currency accruing to the bloc as a result is undoubtedly useful in a world that is still short of dollars.

In line with the action to restrict exports from the United States to iron curtain countries, the United States also tried to prevent certain items reaching them from other countries. The Foreign Assistance Act of 1948 (sec. 117(d)) provided that:

"The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any nonparticipating European country which commodity would be refused export licenses to those countries by the United States in the interest of National security."

While this provision was strictly applicable only to exports containing commodities financed with ECA funds, most of the Western European countries subsequently embargoed shipments to the Soviet bloc of arms, ammunition, implements of war, and atomic energy materials. Since late in 1949, these countries have undertaken additional measures of cooperation in the control of exports to the Soviet bloc of commodities having primary strategic significance. Control measures have been expanded and strengthened since the invasion of South Korea. At the present time, it is reported that these countries embargo 90 percent of all the items regarded by the United States as of primary strategic significance.

Although urging the countries participating in the Marshall plan to control the export of strategic commodities to the Soviet bloc, the United States has until recently encouraged all other trade between the areas. It was assumed in the estimates of the original plan that a substantial expansion of trade between Eastern and Western Europe was essential to the economic recovery of the Western European area. All participating countries were urged to reduce the dollar gap by finding non-dollar sources of supply for United States goods financed by the ECA. Other areas receiving United States aid were urged to do the same (e. g., Japan, under the supervision of the Department of the Army). As stated by the Administrator of ECA in testimony before the Senate Appropriations Committee "East-West trade has always been of great importance to Western Europe and it reduces tremendously the financial burden of European recovery on the United States. ECA has therefore encouraged it."

The volume of trade between the nations of the free world and the Soviet bloc still remained low, relative to prewar. This appears to have been largely due to: poor crops in Eastern Europe in 1947 and 1948; the policy of the Soviet bloc nations to limit imports of nonessential consumer goods, in favor of imports of basic materials, machinery, and equipment needed for industrial recovery; the limited export availability of machinery and other capital goods in Western Europe in the period when major emphasis was being placed on the rehabilitation of their own industrial facilities; and efforts to redirect much of the satellite trade toward the U. S. S. R. By 1949, the peak postwar year, trade between Eastern and Western Europe had reached a volume of approximately \$1.25 billion each way but was, in real terms, probably not much more than 40 percent of the prewar volume. The dollar volume, and probably the real volume as well, fell slightly during 1950.

Much of the trade between the free world and the Soviet bloc might, in retrospect, be regarded as prejudicial to security, since it undoubtedly enabled the iron curtain countries to expand industrial output at a more rapid rate than might otherwise have been possible. That trade, however, also made it possible for Western Europe and Japan to achieve recovery goals with less United States aid and in a shorter time than might otherwise have been required.

Furthermore, the policies which permitted such trade to continue must be considered in the context of our general outlook and expectations at that time. They were clearly consistent with our earlier invitation to all European countries, both East and West, to join in a cooperative recovery program. They were consistent with our urging those participating in the program to reduce their "dollar gap" as rapidly as feasible. They were consistent with the primary emphasis placed on economic recovery until the aggression in Korea. Even the Mutual Defense Assistance Act, passed late in 1949, declared that "the Congress recognizes that economic recovery is essential to international peace and security and must be given clear priority." Finally, such trade policies were consistent with our belief that the Kremlin would not risk a third world war and that the major menace with which we had immediately to cope was that of subversion.

Mounting evidence of the Kremlin's aggressive designs, highlighted by proof of Soviet possession of the atom bomb and by aggression by satellite in Korea, has forced the free world to revise drastically its estimate of the imminence of the mili-

tary threat. To meet that threat the military strength of the non-Soviet world is being rapidly built up. The maintenance of economic strength has become more, rather than less, important, for it has come to be recognized that it is an integral part of military defense. So the situation calls for positive measures to bolster the economic basis of military power and to that end for the avoidance of measures which would impair that power either absolutely or relative to the strength of the Soviet bloc.

These new developments have greatly increased the concern of the administration, the Congress, and the governments of other free nations as to the relation of trade with the Soviet bloc to the economic defense of the free world.

As noted earlier, most Western European countries have, since Korea, embargoed the shipment of an increased number of strategic commodities to Soviet-dominated areas. The United Nations has also voted a complete embargo on shipment of strategic materials to Communist China.

These actions, taken largely as the result of suggestions by the United States, reflect substantial progress in the control of an important sector of trade with the Soviet bloc. They appear to be inadequate in several major respects:

(1) Present control measures are still in various respects unsatisfactory, either because they are not sufficiently comprehensive or because they are not effectively administered. The President stated in his message objecting to section 1302 of the third supplemental appropriation bill (the Kern amendment) that "there are still a number of trade situations with which we are not yet satisfied." Further the United Nations embargo on exports to China was intended only to deal with the immediate situation in Korea, not with the long-run problem considered here.

(2) Administrative responsibility for dealing with this trade in relation to our foreign-aid programs is not fixed. As pointed out in the report of Special Subcommittee of the Committee on Foreign Affairs on control of exports to the Soviet Bloc " * * * no individual, organization, or agency has been given this big job to do or can be held accountable for the results." The report noted that ECA and most of the other executive agencies participate in the work but that "it is a sort of byproduct for each of them."

Section 1304 of Public Law 843, Eighty-first Congress (the Cannon amendment approved September 27, 1950) provides that:

"During any period in which the Armed Forces of the United States are actively engaged in hostilities while carrying out any decision of the Security Council of the United Nations, no economic or financial assistance shall be provided, out of any funds appropriated to carry out the purposes of the Economic Cooperation Act of 1948, as amended, or any other Act to provide economic or financial assistance (other than military assistance) to foreign countries, to any country whose trade with the Union of Soviet Socialist Republics or any of its satellite countries (including Communist China and Communist North Korea) is found by the National Security Council to be contrary to the security interests of the United States."

The National Security Council has set up a Special Committee on East-West Trade charged with keeping trade between the Soviet bloc and countries receiving United States economic and financial assistance under constant surveillance and recommending appropriate action to the Council. On December 21, 1950, the Council announced its decision that it would be contrary to United States security interests to cut off aid to any country.

This legislation met some of the requirements for sound policy. It directed the National Security Council to act only after a finding that the trade of a given country with the Soviet bloc is "contrary to the security interests of the United States" and, therefore, allowed for a weighing of both exports and imports in any decision as to its effect on our security. It also appears to recognize, by implication, that our security interest in trade with the Soviet bloc is not confined solely to trade in commodities declared to be of primary strategic importance from the point of view of our own military defense. It has, on the other hand, several major defects:

(1) It is applicable only in periods when the United States is "actively engaged in hostilities while carrying out any decision of the Security Council of the United Nations * * *." It would cease to be effective until the unlikely event of another United Nations intervention recommended by the Security Council. What is needed is a policy which will be workable for as long as the present Soviet threat to the free world continues, especially in the absence of active hostilities.

(2) It is applicable only to "economic and financial assistance." Military assistance is specifically exempted. If a trade ban is justified, it is illogical and may be self-defeating to restrict the sanction only to economic assistance.

(3) It does not correct the administrative defect noted by the House Foreign Affairs Subcommittee, i. e. the failure to fix administrative responsibility for carrying out the purposes of the act. It is true that the act places the responsibility in the National Security Council. This Council, however, is--and should remain--an interdepartmental body charged with the formulation and coordination of general policies relating to United States security. It is not equipped to execute such policies except through the several participating departments, and therefore tends to diffuse responsibility rather than to center it in one agency.

The Cannon amendment was repealed in the Third Supplemental Appropriation Act of 1951 and section 1302 of that act (the Kern amendment) was substituted for it. This legislation provides as follows:

"During any period in which the Armed Forces of the United States are actively engaged in hostilities while carrying out any decision of the Security Council of the United Nations, no economic or financial assistance shall be provided, out of any funds appropriated to carry out the purposes of the Economic Cooperation Act of 1918, as amended, or any other act to provide economic, or financial assistance (other than military assistance) to foreign countries, to any country which exports or knowingly permits the exportation of, to the Union of Soviet Socialist Republics or any of its satellite countries (including Communist China and Communist North Korea), arms, armaments, or military matériel or articles or commodities which the Secretary of Defense shall have certified to the Administrator of Economic Cooperation may be used in the manufacture of arms, armaments, or military matériel, or shipment of which to the Soviet bloc is embargoed by the United States in the interest of national security."

The legislation further provides for certification by each nation receiving aid from the United States that it has, subsequent to the fifteenth day following the enactment, met all the requirements of the act (although such certification does not relieve the ECA Administrator or any other officer of the Government from responsibility for enforcement of the provisions); for exceptions to be made upon the "official determination of the National Security Council that such exception is in the security interest of the United States"; and for immediate reports to be made by the Council to six committees of the Congress when such exceptions are made.

This amendment appears to fix the major responsibility for the execution of the policy laid down on the Administrator of ECA, subject to the power of the National Security Council to grant exceptions to its provisions. In other respects, however, it has defects which appear even graver than those of the Cannon amendment:

(1) Like the Cannon amendment, it applies only to "economic and financial assistance" and only during periods when the United States is "actively engaged in hostilities while carrying out any decision of the Security Council of the United Nations."

(2) The categories of commodities involved are so broad as to require that practically all trade between the Soviet bloc and countries receiving assistance from the United States be stopped. It is true that the National Security Council is given the power to grant exceptions to the sweeping provisions of the legislation in the interest of security, but, to make the legislation workable, the exceptions themselves may have to be so broad as to render the legislation ineffective. Obviously, a clearer expression of the intent of Congress is needed.

A bill (H. R. 4550), recently introduced in the House of Representatives by Mr. Battle, meets part of the defects of the earlier legislation. This bill (the proposed Mutual Defense Assistance Control Act of 1951) declares it to be the policy of the United States "to apply an embargo on the shipment of arms, ammunition, and implements of war, atomic materials, petroleum, transportation equipment of strategic value, and items of primary strategic significance used in the production of arms, ammunition, and implements of war to any nation or combination of nations threatening the security of the United States" and to refuse military, economic, or financial assistance to any nation unless it applies an embargo on such shipments to any nation or combination of nations threatening the security of the United States.

It provides further that the President may direct the continuance of such assistance to a country which permits shipments of items other than arms, ammunition, implements of war, and atomic energy materials when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States. Finally, it directs that the United States shall negotiate with countries receiving assistance arrangements for such countries to control exports to the Soviet bloc of other commodities not included in the mandatory embargo

list but the export of which, in the opinion of the Mutual Defense Assistance Officer, should be controlled.

Administration of the act would be under a Mutual Defense Assistance Officer appointed by the President by and with the consent of the Senate, and charged with determining the items which should be included in the embargo lists, after "full and complete consideration of the views of the Departments of State, Defense, and Commerce; the Economic Cooperation Administration; and any other appropriate agencies;" continuously adjusting such list to current conditions; recommending the termination of all aid to any nation failing to comply with the provisions of the bill within 60 days after the termination of the embargo list; and recommending negotiations with countries receiving assistance with respect to other commodities not included in the embargo list. He would also be charged with coordinating the activities of all United States departments and agencies concerned with security controls over exports from other countries, making a continuing study of control measures undertaken by foreign governments in accordance with the provisions of the bill, reporting to Congress not less than once each 6 months recommending action where appropriate, and making available technical assistance on export control procedures to any nation desiring it.

While the Battle bill meets certain of the criteria of a sound policy with respect to this important problem, it appears to have two major defects.

(1) It would separate the administration of the control of trade with the Soviet bloc from the administration of foreign aid. The mandate for the administration of foreign aid should be so to apply such aid as most effectively to promote the security of the United States and of the free world. The use of aid as a means of obtaining security controls over exports by recipient nations would appear to be implied in that mandate, even if not specifically required by the Congress. Further, the single agency administering foreign aid and trade controls would be in the best position to determine the effect of terminating aid on account of U. S. security interests and to appraise the need for measures to offset the economic effect of such controls in cooperating countries. However, the present administration of foreign aid is itself not unified and is probably the source of the administrative defect in the Battle bill.

(2) The bill provides only for the drastic sanction of completely cutting off aid in the event of noncooperation in security controls. It is silent on other less drastic or more positive measures which might help to accomplish the desired result. It therefore leaves uncovered the potentially large number of cases where cooperation with United States security controls may be unsatisfactory but where the security interests of the United States would still not permit a termination of aid.

IV. TOWARD A SOUNDER POLICY AND MORE EFFECTIVE ADMINISTRATION

There is no specific formula for dealing in advance with the complex and changing problems of trade between the free world and the Soviet bloc. Legislation designed to limit such trade must therefore be confined to general principles. However, the basic facts that should guide such legislation are clear.

Trade is a two-way street

This fact must be taken fully into account in any attempt to deal with the problem.

East-West tension is likely to be prolonged

This fact argues for the development of a policy which will receive the support of our own people and our allies over the long pull. Short-range measures—however beneficial for specific purposes—designed to deal with specific cases of Soviet-inspired aggression, such as the United Nations embargo on shipments to China and the Cannon and Kenn amendments, do not meet this requirement. Neither would yearly appropriations of additional aid funds to compensate for earnings lost as a result of reduced trade.

All-out war with the Soviet bloc is not inevitable

Since our basic approach to all foreign policy is founded on this assumption, we should avoid actions which are not clearly essential for our own security and which might stand in the way of an eventual peaceful settlement. Unnecessary stoppages of trade tend to widen the breach between East and West and to consolidate economically the Soviet bloc itself.

Limitation of objectionable trade must be done, not unilaterally, but jointly with other free world nations

Effective control of trade with the Soviet bloc in the interest of the common security requires the cooperation of other free nations sharing our concern over the threat of Soviet aggression. Honest differences of opinion may arise, of course, as to the need for particular measures, but there should be no disagreement on the basic objectives of the policy. Further, agreements as to controls are likely to be reached more readily if negotiations are with groups of nations rather than individual countries. One nation is not likely to adopt strict export controls in the absence of reasonable assurance that a competitor nation will also adopt them. Also, groups of nations, such as the Organization for European Economic Cooperation and the Defense Production Board of the North Atlantic Treaty Organization, can do a great deal toward developing and sharing alternative markets and sources of supply for goods now involved in trade with the Soviet bloc. Certainly, the joint defense production effort in Europe should be able to furnish markets for much of the output of metal products and machinery now going to the Soviet bloc. Further, these countries should be able to furnish necessary machinery and equipment to underdeveloped areas in exchange for food and raw materials.

The same policy should apply to military and economic aid

If United States aid is to be used to secure cooperation in security export controls, both economic and military aid should be included. In the first place, it would not appear logical to deny a small amount of economic and financial aid to a country because of noncooperation in such controls while continuing military aid to it. Moreover, such action would probably be self-defeating, since the denial of economic aid could be expected to reduce the country's own military effort and increase its need for aid in the form of military equipment, if the military goals—in which we have a vital interest—are to be reached. In that case, the total position of the country would have been changed little, but we would have added to the burdens of our own defense industries.

The same standard of performance cannot be expected of all nations

■ We have a right to expect that nations associated with us for defense, as in Europe, will share our concern for the economic bases of such defense. Allowing for honest differences of judgment as to the measures required, and for variations in internal political situations, they should be expected to enforce trade controls where needed for their own and the common security. The natural way to achieve this is to include cooperation in trade controls and in other measures for economic defense in bilateral agreements with these countries which should cover both economic and military aid. In the under-developed areas, on the other hand, many of which are torn by internal struggles between eastern and western influences, the withdrawal of aid because of trade with the Soviet bloc would mean outright surrender to the very Soviet influences we wish to eradicate. In these and other areas where we seek limited objectives with relatively small amounts of aid, we might be wiser to concentrate on such objectives, and to use other means to exert influence on trade policies. Finally control of trade between western and eastern Germany must be managed with great care because of the understandable reluctance of western firms to sever completely long-standing relationships with the East and because it might serve as a pretext for the reimposition of the Berlin blockade.

Other less drastic and more positive measures are also needed

The power to terminate aid to any nation as a sanction for noncooperation in security export controls is a drastic remedy that should be used only as a last resort. In fact, its use would suggest the failure rather than the success of the general policy. Other means can and should be used in situations where the degree of cooperation is not satisfactory but where total security considerations require the continuation of aid. Examples of such supplementary measures are:

(1) The curtailment of aid and denial of its use for certain specific purposes might be used where cutting off aid altogether is not feasible.

(2) Aid might be increased in the case of cooperating countries to help soften the internal impact of trade controls.

(3) Control over counterpart funds might be used as a sanction for noncooperation or as a means of financing the cost of diversion of industries from Soviet bloc markets and sources of supply.

(4) Longer range economic planning for the industrialized and the under-developed areas should be encouraged and would be most important in the gradual development of controls which will be workable over the long pull. General

agreements to restrain wild fluctuations in the prices of primary commodities and to guarantee markets for them—as in the case of the International Wheat Agreement—might go a long way toward diverting supplies from the Soviet bloc. Similarly, cooperative efforts in the underdeveloped areas would help to maintain the economic growth and stability of Western Europe and Japan despite a reduction in trade with the Soviet bloc. The other free nations are justifiably concerned about these longer-range problems in which their own stability and security are intimately involved. Year-to-year appropriations of aid to offset failure to solve these problems is not an adequate alternative for us or for them. Before important segments of trade are cut off, there should be reasonable assurance of compensating expansions elsewhere over a longer period of time.

Effective administration is essential

It is obviously impossible for the Congress or the Executive to lay down a policy in advance which will cover in detail all the complex problems which arise in the administration of a program to control trade with the Soviet bloc. Such policy must be stated in general terms, with adequate discretion permitted in its execution. The latter will require continuous study of the problem, negotiation with foreign countries, and adjustments to meet changing political, economic, and military developments. Responsibility for it should be centered in a single agency of the Government under bilateral agreements governing all aid furnished on a grant basis.

The Committee on the Present Danger has recommended that all foreign aid should be placed in a single agency of the Government independent of but working closely with other departments. The mandate of the administrator of this agency would be so to apply aid to foreign areas as to make the maximum contribution to the common security. Even in the absence of express congressional direction, our effort to secure a measure of control over trade with the Soviet bloc is implied in this mandate. There would not appear to be any good reason to separate that effort from other phases of the administration of our foreign-aid programs. Further, all other measures which can and should be used for the same purposes are within the control of the present ECA Administrator and should not be taken away from the proposed new foreign-aid administrator. It would not appear logical to place responsibility for the application of the final sanction in another agency, especially since such sanction would be used infrequently, if at all, and only as a last resort after other measures have failed.

The recommendation made here would of course not preclude the appointment of a mutual defense assistance officer, as proposed in the Battle bill, provided he were part of the office of the foreign-aid administrator. It would also not preclude a large measure of participation in general policy aspects of the problem by the agencies represented in the National Security Council. Since the decision to apply a limited sanction or to cut off aid completely in the case of any foreign country would involve important questions of foreign and military policy, the administrator would be required to consult with the other agencies before taking action, just as he would be required to consult with them on many other matters relating to his administration of the foreign-aid program.

Mr. HAYS (presiding). All right, Mrs. Bolton.

Mrs. BOLTON. Mr. Voorhees, we are delighted to have you. It has been a pleasure to see the faithfulness with which you have attended these somewhat prolonged hearings. Am I right in interpreting the spirit behind your committee to be that you feel with great seriousness that we are in a situation out of which we must work ourselves; that it is not just going to stop, that wishful thinking is not going to get us out of anything, and therefore we have no choice. We are in it and the only thing we can do is to use the best intelligence we have and our wits and any genius we have left to so strengthen the country and the other countries of the free world, that we will be able to meet whatever situation arises. Am I right in that statement?

Mr. VOORHEES. I think that that is a fair statement, and that is the way our committee feels.

Mrs. BOLTON. That is the background of the reason of your being interested in this matter?

Mr. VOORHEES. And I may say the rather optimistic feeling that there is so much potential strength that we have, that if we mobilize it in time we will not have to have world war III.

As I say, my great anxiety about this subject arose when I was Under Secretary of the Army. I made intensive studies of the situation. We have this tremendous atomic strategic bombing supremacy, but without any assurance that it is going to continue indefinitely and in fact with the high probability that it may not. While we have complete supremacy, if we could take the steps to make it unprofitable to attack Western Europe by erecting a real ground defense there, making an attack on it too big a gamble, then we would have done the biggest thing to prevent world war III. In this, of course, I do not mean neglecting the Far East, either.

Mrs. BOLTON. There is just one little matter to bring up. You make quite a point of the necessity for using the production capacity of the countries of Europe, which I agree very definitely, but in the testimony in the hearings we had with Mr. Marshall and some of the other people in the Defense Department, I am left with the feeling that they are very reluctant to have that happen, that they want to have the end-items built here, and have complete supervision over them and then send them over.

Would you have any suggestions of how to correct that particular problem?

Mr. VOORHEES. That is just the reason that we have urged so strongly a unified administration under which all aid would be given and under which the United States would write the conditions of the aid much more precisely than is done at the present time. We could as to a certain amount of that aid say to the recipient nation: "This will be given to you for the purpose of specific production for the common defense."

Mrs. BOLTON. Do you think we could get the agreement of the Defense Department?

Mr. VOORHEES. I have no doubt that that can be done. As it stands now, Defense is buying for foreign aid the same tanks and the same other things that we are buying for United States forces, to a very large extent. You cannot tell until a unit comes off the production line whether Defense is going to say, "Well, this is one we will give to foreign aid," or "this is one we are going to give to this United States division."

Now, with this tremendous backlog of orders—which is unavoidable as of course it takes a long time to get into mass production, is that it is going to be quite a while before we get these products. I think we ought to go ahead fully with the production here to the extent we can. But if we also can get the German economy or the Italian economy, which are not now fully used at all, and can get some of these other countries whose productivity is now not adequately used to produce more military equipment, they of course can then earn a considerable part of the dollars which we would otherwise have to give them. On these products we would have no shipping costs. And the costs on many of these items are very much lower over there than they are here. There can be a tremendous saving. Also it takes these countries in as real partners in the enterprise.

Mrs. BOLTON. Thank you so much, and I will yield back a little of my time and help make up the 12 minutes.

Mr. HAYS (presiding). Mr. Carnahan.

Mr. CARNAHAN. Mr. Voorhees, I want to add my appreciation to you for bringing this most excellent statement to the committee, and I also am very grateful that your committee has been formed, because certainly a committee of this type can give careful and intelligent study and at least nonpolitical study to the present danger, and I think even the name of your committee is commendable. Certainly I believe that the realities of the present danger should be brought more forcefully to our attention, and I note that at least some of your membership are stating that the free world will never be attained by the application of military force, that it will only be attained by waging the peace. Now if that is the case, why do you seemingly place so much emphasis on military aid and you say on page 3 of your statement that the so-called economic aid for Europe in the present request is with minor exceptions military aid.

Mr. VOORHEES. The reason we are placing the emphasis on military aid now is because there cannot be any development of freedom unless there is protection of Europe against slavery to the Soviet. We believe that there is a limited time to do this. Not even Dr. Vannevar Bush and other atomic scientists like Dr. J. Robert Oppenheimer and Dr. Conant—who happen all to be members of our committee—can guess, and I do not believe anyone knows how long the time is during which we will have this overwhelming atomic supremacy.

But we have it now and it gives a protection over us, during which we can create a defense of the free world. It may be 2 years or 3 years or maybe it is 4 or 5, and nobody knows, but during that time it could be done. Now, this can be done only by a joint effort. It cannot be done by the United States alone. These are the reasons we have emphasized military aid immediately, in order to get our own iron curtain built up—if you please to call it that—something which will protect the free world so that it can stay free. Then we can go on and advance the other things in which we believe as free men.

The reason we said what we did on page 3 of the statement to which you refer is that the Marshall plan has been successful to the extent that in Western Europe—with the exception of a few countries, of which Austria is an illustration—we have pretty nearly given them the amount of aid for their economic recovery which would be requisite to accomplish the Marshall-plan goal if they did not have to undertake the new burdens of rearmament. Therefore we said, since they could get along if it were not for the rearmament, even the economic aid which we give them in future is really to supplement their capacity to rearm and so is really military aid. For it would not be necessary if they did not have to rearm.

Mr. CARNAHAN. But you are assuming that their economies have recovered to the point where they are capable of supporting military equipment, and military strength.

Mr. VOORHEES. I am assuming, if you please, that their economies have recovered to an extent that they could be self-sustaining if they did not have to go into the rearmament program, but if they do have to have a great military effort, their economies are not adequate to provide through their own budgets to furnish the men and to furnish the equipment. It is therefore to make up that deficit, that we have to furnish this aid.

Mr. CARNAHAN. Won't we really be furnishing economic aid rather than military aid on the assumption that you cannot build military strength unless you have an economy that will support it?

Mr. VOORHEES. Well, that certainly is true, sir. But the best illustration of that that I have heard was one given by Dr. Robert Oppenheimer when he was talking to a small group the other night of members of our committee and some others. He said that military aid and the economic aid are like putting fluid into a vessel through two separate tubes. In other words, here is a country which could perhaps support five divisions, and it might not be able to equip them very adequately. But on the other hand, it might have the manpower for 10 divisions, and if we could furnish the equipment or furnish the country in question with the additional dollar aid, let us say, so that it could produce such equipment, we might get 10 really well equipped divisions, and maybe General Eisenhower could get a night's sleep.

Mr. SMITH. Mr. Voorhees, am I to assume that your Committee on Present Danger considers Europe the present danger?

Mr. VOORHEES. Not the only present danger, by any means. I think that we would say that the greatest present danger is that the Russian Army would overrun Western Europe, which it could do, because there is no defense to stop it. It is only the balance being maintained between the overpowering force of the Russian Army which could run over Western Europe on the one hand, and our atomic supremacy which could destroy Russia back of the Russian Army if it did. So that they now do not dare to do it.

Now, it is our belief that that is the greatest prize which Russian imperialism could seek, and that is over the next 3 to 5 years the greatest single danger. But I have tried to emphasize that that does not mean that we should neglect other areas to do it. We have certainly got to hold in the Far East, too, because as we have seen in Korea, if we had collapsed there, nobody knows what would have happened.

Mr. SMITH. We are spreading ourselves pretty thinly, do you not think so?

Mr. VOORHEES. Well, sir, I served in the Pentagon off and on for most of the time, except when I was overseas, for something like 8 years. We have got a military command, and I think while we have got that military command, we ought to give that command backing on purely military judgments. From my service with them there, based on what I saw and speaking purely objectively, my deep conviction is that they are certainly fully alert to the danger of spreading our strength too thin. On the other hand, there is a very great danger that we will lose essential ground that we can never get back. If we had not taken the action in Greece and Turkey at the time we did in 1946, we would have lost the whole eastern end of the Mediterranean. We would then not have been worried about Iran today because that would have gone and a whole lot more with it. If we had not undertaken the Berlin airlift, and fought that blockade off, and if we had not stayed in Korea, we would have an entirely different world today. So, I believe, we have got to be ready to move in selected areas, but that we cannot hold everywhere. We must select the things that we can do, and in proportion to our strength, but we can increase our strength so that we can do a lot more. That is what we are urging should be done.

Mr. SMITH. A part of our problem is that we are having a pretty hard time convincing some of our friends what they ought to do.

Mr. VOORHEES. Yes, sir.

Mr. SMITH. You have been around here very faithfully while these hearings have been going on, and I think that you have heard me express myself with reference to the dangers I see about the failure of these nations to cooperate from the standpoint of sharing with the workers in those countries the industrial productive increase.

Now, somebody is getting the profits or the money out of this spending program, and the money that we have been pouring in and yet the standards of living are low. It goes back to the part of the question or the statement made by my friend from Missouri, Mr. Carnahan, to the effect that you have got to have something to build on, and right now it appears that we are building on shifting sands.

Thank you very much.

Mr. RIBICOFF. Mr. Voorhees, I think your committee has done a very effective job. I have watched it from its inception, through the newspapers and the radio broadcasts, and I am just curious, what has been the response to that campaign?

Mr. VOORHEES. I am not able to appraise it. I do not think anybody can appraise a radio program except a commercial program where they take these soundings of them. I talked with Dr. Conant just before he took his trip to Australia, and he felt in general that it had made a useful contribution.

Mr. RIBICOFF. Do you get pretty good newspaper coverage throughout the country?

Mr. VOORHEES. Of course, it varied a very great deal. Several of those broadcasts, notably Dr. Vannevar Bush's, had front-page stories all through the country. These broadcasts were carried on national hook-ups, and were carried on several hundred radio stations.

One advertisement on universal military service, was the only time we ever used any paid advertising, except a few very small ads, on the radio broadcasts. All the rest of the publicity on the radio and in the press was given to us free. It was all done at very small expense—and I thought it was rather remarkable that our efforts received the attention they did because this is not an easy subject in which to interest people. It is not as though one had the excitement of a Pearl Harbor to get the people interested.

That very fact is one of the dangers we face.

Mr. RIBICOFF. In talking about your point of shifting the burden of production, military production, to the countries who are going to use it, I more or less concur in that point of view, but how much do you think, of the proposed \$6 billion-plus, could be effectively shifted to these other countries?

Mr. VOORHEES. Sir, I could not give an intelligent answer as to the extent possible. I do not think anyone could tell until we went to work at it with a sound organization to make the effort.

Mr. RIBICOFF. I just want to ask another question, and you can answer the two together. Now, it is obvious that any amount that is authorized or appropriated, in the \$6 billion-plus, will take a considerable time from the time the law is passed to the production finding its way to Europe, and probably that which finds its way to Europe first will be part of the production that already has been contracted for from past military appropriations.

Now, how long do you think it would take if you got started on military production of some of these items in the European countries?

Mr. VOORHEES. I think that that is something that is today pure speculation. It depends upon the item. Take the question of trucks, for example, or any large or small vehicles for that matter. These countries can make such things and make them very fast. They can do a wonderful job. Did you ever happen to see some of these German busses? They are wonderful. In other words, there are many things, including small arms, which these countries could make very rapidly. There are many things that they could make there of very great value which would take some weight off of our economy here.

Mr. RIBICOFF. In other words, if this \$6 billion-plus, includes items such as trucks, would it be wise for us to make them in the United States, with the present state of our production and conversion, when such items could be made in Germany or France or Italy?

Mr. VOORHEES. My recollection is that we had some contract, or we had a provision in one of the military budgets here this year, for something like 293,000 jeeps. That is quite a lot of jeeps. This figure may be wrong, as I am only giving my recollection after several months. It seems to me that jeeps could be made over there. Jeeps are not a secret weapon.

Mr. RIBICOFF. Let us say that some of these plants started an item from the blueprint stage. Considering the labor situation here as against Italy at the present time, let us say, and considering the plant capacity here and the plant capacity that is open in Italy, do you think it would take more or less time to get going on those items in Italy as against the United States?

Mr. VOORHEES. Sir, it depends entirely upon the items. Some would take longer.

As to Italy—one of our members who participated actively in the Committee's study was there last fall. He reported that Italy had about 85,000—I am giving the figures from memory—skilled personnel to make airplanes, and that there were some 80,000 of these unemployed. We could not, perhaps, make complete airplanes in Italy because of the provisions of the treaty, but we could certainly make a lot of the parts and assemble them somewhere else.

Mr. HAYS (presiding). Mr. Merrow.

Mr. MERROW. Mr. Voorhees, I compliment you upon a most able statement.

On page 6, you have stated that the Administrator should be directed by the statute to promote, so far as can reasonably be done, considering all factors, the production of Europe and to use the power of the purse strings as ECA did in its program, to see that this will be truly a mutual-assistance program and not just a United States give-away program.

Now, would you commend in more detail as to how the power of the purse strings should be used to increase the productivity of Europe as a whole?

Mr. VOORHEES. I shall try, sir.

Right now, the program is split right down the middle. We have an ECA program for which up to date the legislative mandate has been to promote economic recovery in Europe. We have a military-aid program, which has largely consisted of sending United States end-

items to Europe. And we have, in the proposal before you, \$6½ billion for military aid, most of which will be end items. That proposal assumes something which shouldn't, we believe, be assumed. That is, instead of \$6½ billion of military aid largely in end items, that figure ought to be reduced as much as possible, and much more aid given in the form of dollars, so that they could produce many items themselves. That is because they could be produced much less expensively, and it would enable these nations to earn dollars which we might otherwise have to give to them for economic aid.

Mr. MERROW. You would increase the economic aid and cut down the end-item aid; is that right?

Mr. VOORHEES. I call it all economic aid for a military purpose. That is really the object we are striving for now. And I would certainly try to have them produce as much as possible.

Here, sir, we have orders backed up in United States plants. It will take a long time, on these critical items, to deliver these things. And we have an economy certainly overtaxed, and with tremendous dangers of inflation, presenting problems immediately before the Congress at the present time, and most difficult problems.

Surely, if these nations that are allied with us, and these other nations that we are trying to keep free, have got potential productivity, we ought to manage our aid in such a way as to try to develop that productivity to the utmost. And these nations want to do it.

Mr. MERROW. Do you mean that you would use the power of the purse strings to bring about a greater integration of Europe, to increase this productivity?

Mr. VOORHEES. I did not mean to interfere politically. I think we should do that only by persuasion, and not by leverage from our aid program. But, to illustrate, we can produce things in Germany which can be done without a violation of the different agreements as to military production there, many things and parts for other items. I think it is a great deal better to manage our aid under a basic policy which will have that done there and let them earn the dollars than it is to ship the stuff from the United States.

In the next place, if we have countries which are holding back, as some of them are, and not making a real effort to do as much as General Eisenhower feels that they ought to do, it seems to me that we ought to hold back on all kinds of aid, retarding it until they perform. Using Mr. Hoffman's words yesterday, we should "follow the dollar", and I think he also said "guide the dollar" to make sure that we get the full value out of it. I believe that we have got to make this program really a mutual thing.

And one other thing that I wish to emphasize is the business of using the so-called economic aid—that is, the dollar aid—to develop their production of parts. If we supply this enormous amount of end items from the United States, and then have to continue to service them from the United States, produce the parts and send them over, it is a continuing liability. Certainly, they ought to be able to take that over themselves.

Mr. BATTLE. As a matter of fact, we have some very able men who are working on that very problem, and they are going to be before this committee. Is that not right, Dr. Judd?

Dr. JUDD. I hope they are going to be before us, with better answers than they had over there.

Mr. BATTLE. Well, they are working on the particular problems, and they are scheduled to come before this committee.

Mr. MERROW. I am glad that you said you would use the power of the purse strings to bring about greater economic cooperation, leaving aside the political issue.

Mr. VOORHEES. Yes, sir.

Mrs. KELLY. I have a special interest in Mr. Voorhees' appearance before this committee, not only because of his civic interest but he comes from Brooklyn, my home town.

I want to ask a question. Have you an organization chart of your plan?

Mr. VOORHEES. We have not put it in organization chart form. I will try to, if you wish, and it would be relatively easy to do, I think. I could only do it generally, of course, as the detailed organization would have to be worked out later.

Mrs. KELLY. I agree with Mr. Vorys that your proposed set-up is more or less a reorganization of the State Department, and I would like to have the committee turn to pages 17 and 18 of your statement.

In that, on page 17, you claim that the present ECA organization would be the core of the new set-up, and then, under the next paragraph:

The Administrator would necessarily carry on his function of the budgeting, programing, and actual application in both political, military, financial and economic fields.

Now, does that not assume the policy function of the State Department?

Mr. VOORHEES. Well, the statement there says:

The Administrator would necessarily carry on his function of the budgeting, programing and actual application of this aid within the four corners of the established policies of the Government.

That is a lawyer's phrase: "Within the four corners." It means subject to the established policies of the Government—"political, military, financial and economic." In other words, the theory, as I understood it, as we have all understood it, of the ECA Act, was that the State Department handled the foreign policy; that the ECA Administrator conducted the operations of applying the aid, and that he had to do that in accordance with—or, as we phrased it, "within the four corners of"—the foreign policy of the United States.

In section 105 of the ECA Act, (a), which defines the functions of the Administrator, they are "to review and appraise the requirements, to formulate the programs, to provide for the efficient execution of the programs, and to terminate the programs." Those are the main things.

Then the act provides that, in order to strengthen and make more effective the conduct of the foreign relations of the United States, the Administrator and the Secretary of State must keep each other currently informed, and whenever the Secretary of State believes that any action or proposed action is inconsistent with the foreign policy he shall take it up and, if he cannot adjust it satisfactorily, bring it immediately to the President for decision, and so forth.

Those were the provisions which Mr. Hoffman referred to yesterday, which have worked successfully. And it is our belief—similar to the comment that the Hoover Commission made—that State would set

the policy but that the actual operation of such a program would, subject to such policy, be done by a separate agency.

Mrs. KELLY. With your knowledge of the office of the Secretary of the Army, would this organization be acceptable to the military?

Mr. VOORHEES. I think you could go to the Pentagon and get all kinds of different views. I have discussed it with General Marshall and with Mr. Lovett. I would not purport to quote their views about it. There is a strong feeling in the Defense Department and a natural feeling, and one that I share, against a civilian Ministry of Munitions, as the Defense Establishment feels it should do its own procurement. But we propose here that the Defense Department would continue the military procurement, and there is no intention of interfering with that at all.

The things which I think the heads of the Department are probably most interested in are that the Defense Department would continue the procurement, that it would determine the security factors as to what could be produced in Europe, and the specifications and quantities. This would be worked out jointly between the Defense Department and the NATO organization.

Mrs. KELLY. Under this plan, then, we, as members of Congress, could point to this Administrator if anything went wrong in either the military—not planning or carrying out of the operations in Europe—or the ECA set-up?

Mr. VOORHEES. I do not think that you can centralize responsibility to quite that extent. I think every Department would have to do its part to make any program work. I am sure, however, that the relationship between such new administrator and the Defense Department would be essentially the same as it is now between State and Defense. For State now in effect has the appropriation, and turns it over to the Defense Department to procure. That should be done in the same way from the Administrator to the Defense Department as to United States procurement.

Dr. JUDD. Continuing that, does not the present act—I do not have it here before me—say that the Administrator shall have access to the facilities of the various Government agencies by writing a letter to the head of an agency and asking him to make them available, if possible, within the limits of his other responsibilities, or something like that?

Mr. VOORHEES. Yes. He can call on the other departments of Government for assistance and so forth. That was to prevent, as Senator Vandenberg worked it out, a duplicating set-up.

Dr. JUDD. And the Defense Department would like to have all this procurement coordinated, because then it can better program its own needs without having ECA go in, for instance, and buy an awful lot of stuff from a given factory which would deprive our own Defense Department of the products of that factory, and throw a whole program out of balance?

Mr. VOORHEES. You could not possibly do the thing by having ECA conducting separate United States procurement.

Dr. JUDD. Is there not this other reason for separating the two agencies, in addition to the fact that the two functions, policy and operation, are different functions. The State Department was set up for one sort of function, and its personnel is chosen and the conditions of employment are based on that. The seniority rule and the long

tenure that operate in the old-line agencies do not apply to the ECA sort of an operation nearly so much. If you put it under State, would you not inevitably have two teams within the State Department? In fact they have two already, sometimes quarreling a little bit, the Foreign Service officers and the rest of the personnel. And here you would have a third body of employees in State with different terms of service and different conditions of recruitment and employment, and in fact a different character of person. It seems to me that this would greatly complicate the frictions and magnify the difficulties within the Department, and would not help the program.

Mr. VOORHEES. If I understand your statement correctly, I thought that that was what the Hoover Commission had in mind in emphasizing that the State Department should have the policy function, and that these operating functions should be carried out in other ways.

Now, I had quite an extensive experience in that kind of operation when the Army had charge of the occupied areas. Certainly the occupations of Germany and Japan, and for a long time Korea, were a terrific operational responsibility with all kinds of implications for foreign policy. As to them clearly our foreign policy had to be laid down by the State Department, but equally clear the State Department could not have done the job of running the occupation of Germany and Japan. We are talking about arming Germany and Japan in these days, and I think if a pretty good job had not been done over there by our Army administrators in Germany and Japan, we would not be talking about those things.

Dr. JUDD. I merely want to bring out that there were some sound organizational reasons for this separation.

Mr. VOORHEES. I personally believe that what was developed for the ECA program was sound organization—proved by the fact that has it worked well. If we have something that has really worked well and we have got a similar job, why don't we use the same kind of organizational relationship with State for the new and larger program.

Dr. JUDD. Now, on the matter of production abroad, I brought this up at a meeting of the whole production staff for Western Europe at a meeting in Paris, and I said exactly what you have said: An airplane or a tank or other complicated piece of machinery, has major parts which must be built here, but some other parts can be built just as well over there. Why can we not make what we need to make, and have the others being made over there and we send them over ours to be assembled there, and with cheaper labor on the whole? Our own Army objects to that, because they do not want to be dependent on anyone else. They want to be completely self-sufficient when it comes to weapons that we are going to use, and they do not want to have to get any part from some foreign country.

Mr. VOORHEES. Let us not carry it to the extent of equipment for the United States forces, although some of that might possibly be done. But let us carry it to the forces of our allies. In this joint European army, we are only talking about 6 United States Divisions, and we are talking about a 35-division army, or something like that. It is equipping those divisions of our allies about which I am primarily talking.

Dr. JUDD. Does your experience in the Defense Department confirm this observation, that Defense naturally thinks in terms of winning

battles and it wants to get whatever it needs most quickly and most efficiently. And the easiest way is to get American plants and personnel to do it and by and large you have to crowd them all of the time to turn anything over to anybody else. Is that not right?

Mr. VOORHEES. In general I think that there is much in what you say. I worked with the Defense Department personnel, military and civilian, in various capacities for a long time, and I have great respect for them. But their function insofar as procurement is concerned is procurement for American military forces. What they know how to do is to place contracts with American factories. It is not part of their ordinary business to go out and place a lot of contracts in Europe and it is naturally hard to do. Placing such orders is part of the economic assistance to Europe and so related to the ECA function, and we have not, I believe, had a sound organization to promote that sufficiently. That is what we are trying to urge should be done.

Dr. JUDD. That is one place where the civilian part of the Government like the Congress properly should use influence, because we have got to think not just of supporting the Army, we have got to think of maintaining the type of society we want the United States to be. In many situations I do not think it is interfering in their affairs to constantly keep emphasizing and urging that they move in that direction. I remember that when they went into Greece to help defend it against the Communists, and it would have been much easier to ship over American boys to do it than to train and supervise Greeks, we had the darnedest fight to keep the limitation on American personnel, because one, the harder way but the better way was to have it done by Greeks, whom we assisted and trained, and two, if we defeated the Communists but not through the Greeks, there would be a vacuum when we left. If the Army had had its way, it would have shipped over a few American divisions and finished it right off. That would be the quickest way for them to achieve the mission assigned to them, but we have other missions that we must keep in mind.

Mr. VOORHEES. We had got a political and long continuing objective aside from just the immediate military one.

Chairman RICHARDS. I just wanted to say, Mr. Voorhees, that Mr. Herter was very much interested in this problem, and had hoped he could be here tonight. I do not know whether you heard about his only sister being very ill in California, and he had to leave this afternoon by plane.

Mr. VORYS. I wonder if we could have Boyd arrange to send something from the committee.

Chairman RICHARDS. I know that will be satisfactory to the other members of the committee.

Mr. FULTON. The question on setting up the new organization, is whether it is a permanent organization or a temporary organization. If it is going to be a longtime organization, we must then look to see what functions of it are temporary in nature. Next, if we look to see what functions are temporary in nature, they should be then minor functions of the organization and not major. In the policy and administration of the organization we should take that into account.

So looking at this problem, if we combine then the military procurement program with the dollar or economic aid to these countries,

we will find that it is probably going to be a major program of economic aid and a very short term program of military procurement. I am sure it is not the intention of this committee to keep up a repair parts system and supply organization going, and we want these countries finally to stand on their own feet in a joint defense effort.

If we look at the program for economic aid, we see that merging into a point 4 program finally and emerging from the purely military aspects of the current economic program.

If that is the case, then I wonder whether we are not becoming subject to the criticism on this merging of the administrations into one, that this is actually dollar military diplomacy, a combination of the two. Does that seem to you to be a good line of reasoning arriving at possibly a basis for a bad propaganda statement?

Mr. VOORHEES. With great respect, I do not think it is subject to that criticism. We are now through the State Department, through transfer of funds to the Defense Department, procuring military end-items. That may be dollar diplomacy but it is one of the soundest pieces of diplomacy that we have ever engaged in to give military aid to these nations. The organization which we are talking about would not have to have any more people than the State Department now has to do that work because the United States procurement would still be done entirely through the Defense Department.

Now, I would hope that this program of military procurement as I envisage the picture would be a 2 to 3 year program, and then that part of it would be through. That would mean that the Defense Department would not be placing further orders for that purpose in large amounts. But by that time, you would have real divisions, really equipped. Equipping a division is a capital item. You do not have to do that every year. You would for that time have the European economy further restored and have partners with confidence in a real defense there, so that these people would believe that they could stay free.

Mr. FULTON. Now, may I give two points without asking you for your answer now. In your statement on foreign aid at the bottom of page 18:

At the country level the relationship with the State Department would be through the Ambassador, and with the Defense Department through the local military mission.

I think that is a divided responsibility. I do not think it would work because it is on two various levels. One is a policy level and the other is a purely lower administrative level.

Then, at the bottom of page 18, you say:

In view of General Eisenhower's international position any formal participation by him or his staff in the unified administration would appear impracticable.

I would disagree with that.

And then again reading over to that paragraph when you say:

But a primary function of the administrator should be (a) to see that General Eisenhower is kept currently supplied with information as to the budgeting, programming and execution of the provisions for aid in the NATO area, and (b) to satisfy General Eisenhower in his administration of these matters.

I do not think that you can divorce him that much from participation in administration.

In conclusion, could I say to you that I agree with my good friend Carroll Reece. I believe your committee misuses the word "political" in your statement, which is the source of his difficulty. You are not close in your definition of political, because its first meaning is, pertaining to politics, that is the conduct of government. The second meaning is pertaining to settled form of organization. Thirdly, it means pertaining to the organization of parties and individuals to bring pressure on those who control the matters of state, and fourthly, it means partisanship practiced by politicians in their parties. And your committee, I am afraid, have adopted that fourth meaning several times when you could have used any one of the other three meanings.

For example, on page 2, you say, "We believe a national program divorced from political considerations," and so forth. In describing this program, without further description as to your intention, the word "political" is meaningless. If you mean that it is a national program divorced from partisanship or partisan pressures, that is a different thing. But if it is divorced from the conduct of Government or divorced from a settled and orderly organization, it becomes a meaningless statement. I do feel then that with that criticism you should look your statement over to find just what you mean when you are talking of program and political approach.

Mr. VOORHEES. I would like to say that I think that your criticism of our phraseology in using the word "political" is very well taken, as Mr. Reece's was. We used the word "political" in what I believe you described as the fourth sense of the term. We did so perhaps inaccurately, and have no pride of authorship over the words. I would be glad to accept the correction, and make the change you suggest.

The main thing that we had in mind was this, that as a group of citizens we did want to have it very clear that we were not seeking anything for ourselves in this work; that we were trying to be nonpartisan, I think perhaps that is a better word, that we were trying by nonpartisan activities to seek bipartisan support of these measures which we believe are necessary for our national survival.

Mr. FULTON. What would you think would be the effect of a limitation of the State Department solely to a policy making consultative organization as distinguished from an administrative agency carrying anything out? Do you not think it would all end just in a debating society?

Mr. VOORHEES. I do not think its broad powers should be reduced at all. I am urging that they should be continued just as they are, and as they have been while ECA was doing the operating job on foreign aid.

Mr. FULTON. Why could not you just expand the present ECA organization under a different name?

Mr. VOORHEES. That is essentially what we are recommending here. But it would take in the MDAP personnel who are now in the State Department, although I do not believe they belong there, and the point 4 personnel now in the State Department—although I do not believe they belong there.

Mr. FULTON. You could not do it without taking the MDAP and point 4 people from the State Department?

Mr. VOORHEES. That is what I suggested.

Mr. FULTON. Thank you.

Mr. HAYS. Applying your principle of administration to agriculture, you would not disturb the service that is rendered, for example, by Col. Stanley Andrews in the Foreign Agricultural Relations Division, and that would continue in pretty much the same status, would it not?

Mr. VOORHEES. Absolutely. I had a long discussion with Colonel Andrews just 3 or 4 days ago, and of course he worked very, very closely with us in the Army on occupied areas problems. His function is giving advisory guidance. That is just the kind of thing that the FCA Administrator was authorized to call on other departments for. Such aid is absolutely invaluable and should be continued as to any foreign-aid program.

Mr. HAYS. It occurred to me that that was a good illustration.

Mr. VOORHEES. What the Department of Agriculture did in its advice and aid, in enabling the Army to succeed with its occupation of Germany and Japan is a great chapter which has not been written.

Mr. HAYS. And it could become operational through loan of personnel.

Mr. VOORHEES. Oh, yes.

Mr. HAYS. But still under the Agriculture Department.

Mr. VOORHEES. Stanley has various people now on loan in connection with our foreign aid, particularly in the underdeveloped area programs.

Mr. HAYS. That is all.

Mr. REECE. Your committee is composed of some very eminent citizens, and it has a very patriotic and fine purpose to which it has contributed a great deal, but it occurred to me as to how the committee is financed.

Mr. VOORHEES. I would be very glad to tell you, sir. It was formed following my telling Dr. Conant something of the problems that I knew of of almost a year ago of the defense of Western Europe. This was just as dangerous a situation before Korea, let me say, as it was after Korea. He felt that it would be useful to organize such a committee as a citizens group. I told him if he would furnish the distinguished leadership, which he could if he thought seriously enough of it to do that, that I would be glad to contribute my services, and do the pick and shovel work. No member of the committee receives anything in the way of compensation at all, so that the costs have not been so great. The committee has probably received altogether something like \$80,000, of which its members have contributed or underwritten something over half, considerably over half. It never has made any public appeal for money. We have privately asked individuals to contribute. That has been the way it has been financed.

The expenses have been very modest, and we have felt that we should keep them modest. And every expense that we have has been reported to the Congress. You have got it down here.

Mr. REECE. I assumed that was the case but I thought it would be well to have that information on the record.

Mr. VOORHEES. I am very glad that you asked the question.

Mr. REECE. There is no contribution from any foreign source.

Mr. VOORHEES. Of course not, sir. These have been solely contributions from a relatively few patriotic Americans outside the committee, and the members of the committee themselves.

Mr. REECE. You have done considerable research work in connection with your association with this committee, and you had very prominent connections with the Government over a period of years in which you have rendered very fine service, which leads me to dare to ask this question: Six years ago we had won a complete and overwhelming victory. We had probably the greatest military machine in all history. We produced more material and supplies than all other nations combined. We stood at the pinnacle of history. All of the leading nations looked to us for support, many of them for inspiration and some for guidance.

Today that position is more dramatically reversed than has been illustrated, I think, during any period of history. Civilization itself is endangered and our own security is threatened, and we now stand cringing, figuratively, before the threat of the nation which a few years ago was largely depending upon us for its own existence.

Now, what policies do you think we have followed or what policies have we failed to follow which have brought about this striking reversal in position?

Mr. VOORHEES. Well, that is a pretty large question. But I think that we Americans have been accustomed to expecting to be able to live at peace; that when war was brought to us so that we could not get away from it, we then each time threw everything we had into it, expecting to be able to win a victory quickly and then go back to our ways of peace. We did this in and after World War I, and after World War II. What was done each time represented the wish and the then current spirit of the American people—to bring the boys home and throw the equipment anywhere. We left it to rot because our people would not be satisfied to leave the boys there. I had nothing directly to do with that at that time, except some matters relating to the care of our ill and wounded as they came back. But I saw the situation there in the Pentagon. It was simply overwhelmed by the wish of the American people to demobilize and get the boys back. It was unquestionably a colossal mistake.

One of the most interesting statements of it, you perhaps have seen it, was Jimmy Reston's article in the New York Times last Sunday, where he said that the normal procedure would be to have the victory and then the celebration and then the hangover, but that the Americans frequently wanted to change the order and have the celebration before the victory, and if this occurred, then the hangover became much greater. And longer lasting, and that that is what we are having now.

Mr. REECE. None of us have sympathy with the fact that we demobilized too rapidly, but I do not feel, however, that that responsibility ought to be put on the American people or on Congress. In the first instance, the military has as its primary responsibility the security of the Nation. The military is in being and lives for one purpose, and that is to guard the security of the United States of America at all hazards, the hazard of their lives and the hazards of their reputation. That is its one great purpose and responsibility; it should have taken the responsibility of urging the course which it thought best safeguarded our interests.

But, anyway, does the mere fact that we demobilized too rapidly account in itself for this tremendous rise in strength and position of Soviet Russia?

Mr. VOORHEES. I think so, sir. Russia did not demobilize. She continued to build up her strength, and we demobilized, and that is what you have today. And then, even at the time the Marshall plan came, we did not correctly appraise the military danger. We thought it was a danger principally of subversion.

Mr. REECE. Then you see no policy that we followed or none that we failed to follow that accounts for this reversal in position except the fact that we demobilized too rapidly despite the fact that through concessions we permitted Russia to gain control of more than a third of the earth's surface, including strategic areas, and at the same time gave it much strategic material for its war machine.

Mr. VOORHEES. We wanted peace, and thought we had peace, and we went off to the races.

Chairman RICHARDS. When you say "we," you mean the United States, the American people, and the Congress of the United States, and the Democrats and Republicans, with just a few exceptions; is that right?

Mr. VOORHEES. All of us, everyone of us.

Dr. JUDD. That just isn't so. There were plenty of people shouting from the house tops not to do it, and we were called warmongers.

Mr. VOORHEES. Personally I think it was an overwhelming surge of emotion to get back to the comfortable ways of peace, and I do not think it could have been resisted.

Chairman RICHARDS. You have run over there a little, Mr. Reece.

Mr. MANSFIELD. May I make a statement?

Mr. REECE. May I interject just one statement. Really I would not attempt to infer that so far as the anxiety to get the boys home was desired that it arose in any one party more than the other; it was just a frailty of human nature. But I think the responsibility for resisting whatever impulse manifested itself along that line lies primarily with the military. The military does not give in either in battle or in peace when the security of this Nation is involved. As I said a while ago, that is its purpose and that is its responsibility when the security of our Nation is involved. Thank you very much.

Mr. MANSFIELD. Mr. Chairman, I want to say something in that respect. As one Member of Congress who received a lot of letters from the men overseas, and from their parents and their relatives, I am just as much to blame in my capacity as the military was in its capacity because I did what I could to bring the men home. It was a mistake, and I hope I will never do it again. But I recall people on the floor, Democrats and Republicans alike, who yelled for demobilization to get the boys home, and it was the worst mistake we ever made.

Mr. BATTLE. May I make a remark?

Mr. JUDD. Of course, you are here 5 years late, Mr. Voorhees. You did not organize until last fall, and there were people who were worrying and warning about this danger since 1946, particularly the so-called China lobby. What it predicted is precisely what happened. I am grateful for the help you are now giving those who have been on the firing line so long on that menace.

Now, I want to emphasize what two or three others have mentioned, the hope that you yourself or your group will produce not only a diagram of the organization you think will be most effective, but being a good lawyer and probably a good draftsman, it would be helpful if you could give us a draft of the legislation that would be

necessary, amendments of the ECA Act, to carry out the kind of modifications you believe would be most effective.

Mr. VOORHEES. We are working on that, but we had thought it might appear presumptuous to present it unless somebody asked us to do it.

Chairman RICHARDS. I also asked for the same thing.

Dr. JUDD. Mr. Chairman, I did not bring the question up earlier because you were not here but yesterday when Mr. Hoffman was testifying, you asked this question which he referred to Mr. Voorhees but there was not time for his answer. You said, "Should he say so many of these end items should be manufactured abroad and so many in this country? Should he have authority to that extent?" And Mr. Hoffman said, "Mr. Voorhees knows more about that than I do."

Could you elaborate on that now, Mr. Voorhees?

Mr. VOORHEES. If he had the appropriation which he would turn over to defense for the procurement here, he would at the same time of course try to see what could be done with production in Europe, and he would be the one who could find out what production could be carried on there. But you would have to rely on defense for the requirements, quantities, and specifications, and if the Administrator were himself actually placing any orders abroad, probably defense would have to place the orders. But you might not have to do it by the United States directly placing the orders. You might be able to do the thing by furnishing the dollar aid for the specific purpose and letting the foreign country place the order. This would be more compatible with its sovereignty. But the Administrator could use this power to get the production going there, through utilizing the stimulus of the aid.

I think the thing which is most unsound now is the rigid bifurcation of the program into military and economic aid, under which we try to make a determination in advance of something which we cannot intelligently do in advance. Instead, it should be put on a basis where one man could estimate the total amount of total aid which is necessary for a country. If we treat it as two separate things, it involves incalculable waste.

Dr. JUDD. Would not it be advantageous for him to be able to shift from the economic to the military, and vice versa, depending on needs, as cannot be done if the organizations are separate?

Mr. VOORHEES. It seems to me just a common business sense.

Dr. JUDD. I have one other question. One of our ambassadors overseas said that he felt that we ought not to make a change in this ECA organization until the stated time for its expiration, June 30, 1952. He gave two reasons. One was that ECA has become a symbol to the people of Europe of our interest in their economic and social well-being and living conditions. The Communists on the other side have always said that is a propaganda facade up in front, and America is not really interested in you Italians, she is interested in military operations against her rival, the Soviet Union. They have not convinced many people that ECA was a blind for giving assistance to the military.

If now, as you rightly say on page 2, this economic aid should be largely in support of military purposes, do you think that the advantages of using ECA openly and avowedly for military purposes would be sufficiently advantageous to offset the disadvantages, propa-

gandawise, that are certain to come from the Soviets being able to say, "Just as we told you all of these years, it was always a phony."

Mr. VOORHEES. Whatever you do they will use it for propaganda. What we need is to have the best organization to get the best results as fast as possible, and this is the business way to do it.

Dr. JUDD. This is the ambassador in a country where they have got the Commies on their doorstep all of the time, and we do not want to do anything to increase their effectiveness and influence in that country.

Mr. VOORHEES. It is a factor, but the biggest need that there is is to have strength, and as soon as these nations find that they have strength, then we will have a different story.

Dr. JUDD. I agree with you and that is why I wanted you to say it on the record.

Mr. VOORHEES. Thank you very much.

Chairman RICHARDS. You have made a very able presentation. Thank you.

Mr. VOORHEES. Thank you very much.

Chairman RICHARDS. Col. Robert E. Rodes is the next witness.

You have a pretty long statement here. Do you want to read that statement, or would you prefer to file it for the record and touch on certain points and high lights of it? You may do it whichever way you wish.

COMMITTEE ON THE PRESENT DANGER,
Washington, D. C., August 3, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives, Washington 25, D. C.

DEAR MR. RICHARDS: Pursuant to your request, we have prepared and submit herewith a suggested draft of a bill for foreign aid. Accompanying this is a brief explanatory memorandum and also a chart showing the Washington organization under such a bill.

We are working upon and will submit separately next week a chart of a proposed United States organization in Europe to carry out the purposes set forth in the proposed bill.

The annexed proposed bill is in general consistent with, and certain of the provisions are identical with, the proposals introduced yesterday in the Senate by Senators Smith and Saltonstall.

Thirty-five copies each of the bill, the memorandum, and the chart are transmitted herewith to provide a copy for each member of the committee and several for the staff.

Subject to intermittent absences from the city, I am, of course, available should you feel that I can be of any further assistance.

Sincerely yours,

TRACY S. VOORHEES,
Vice Chairman.

COMMITTEE ON THE PRESENT DANGER,
Washington, D. C., August 3, 1951.

MEMORANDUM ACCOMPANYING DRAFT OF FOREIGN AID BILL

The chairman of the House Foreign Affairs Committee and certain members of the committee asked that we draft a bill embodying the recommendations made in the testimony of members of the Committee on the Present Danger on the subject of Foreign Aid. For this purpose, the committee retained as special counsel Mr. Gerald D. Morgan because of his long experience in the drafting of legislation. The proposed bill is submitted herewith.

The bill provides for a unified administration of foreign aid patterned in general upon the type of organization provided for in the Economic Cooperation Act. The proposed relationship of the Administrator to the Secretaries of State and

Defense is, therefore, similar to the relationship of the ECA Administrator to State.

The bill would transfer to a Mutual Security Administrator the powers and functions now exercised by the ECA Administrator and by the directors of the Mutual Defense Assistance Program and the Technical Cooperation Program. It also deals similarly with the Institute of Inter-American Affairs.

The bill would terminate the ECA as such. However, it would transfer all of ECA's property, positions and personnel to the new Administration, subject to the right of the new Administrator within 90 days to release any personnel not required. In this way, the ECA personnel in this country and abroad, including the special missions, would, without new Civil Service processing, retain their positions—except those found unnecessary.

The provisions for coordination with the Secretaries of State and Defense follow the provisions for coordination between the ECA Administrator and the Secretary of State in the Economic Cooperation Act. These have worked so successfully that no dispute has ever had to be taken to the President for decision.

The bill would provide for a United States special representative in Europe and for special missions in the countries receiving aid. These missions would, in turn, be assisted by military advisory groups. The chief of each such special mission would rank, as the chief of the ECA special mission has ranked, immediately below the Ambassador to the country.

The procurement of military items would be through the Department of Defense. The Administrator would determine, with the concurrence of the Secretary of Defense, the measure and forms of aid for military purposes necessary for the respective countries.

The Administrator would, for the countries receiving aid, be the claimant agent for United States materials and facilities which are allocated for export by United States Government agencies. If allocations are made on an over-all, instead of a country-by-country basis, for the countries receiving aid, the Administrator would make the suballocations among such countries.

Consolidated bilateral agreements with each recipient country are provided for.¹ These would include—where applicable—the provisions of the ECA bilateral agreements and the Mutual Defense Assistance bilateral agreements. They also would contain certain additional provisions. The latter include the substance of the Battle bill, just passed by the House, dealing with limitation of trade with Communist areas. Provisions for deposit of "counter part funds" are made except as to aid furnished in the form of military end-items.

There is a new provision for termination of assistance.

In title II, dealing with authorization of appropriations, the amounts are not divided, as was the President's request, into "economic aid" and "military aid," but are divided on an area basis. This is because in the European area aid to most of the countries is for a military purpose, and whether it is so-called "economic" or so-called "military" aid is a question solely of method not of object.

The aggregate amount of appropriations which would be authorized in this bill is identical with the amount requested by the President and which would be authorized in the Administration bill (introduced in the Senate as S. 1762).

Military aid for Greece and Turkey has been transferred to the authorization for Europe. The authorization for Europe now includes the \$5,293,000,000 for "military aid" and the \$1,675,000,000 for "economic aid" for Europe from the Administration bill, plus \$350,000,000 (estimated)² of military aid for Greece and Turkey. The later figure is transferred from the authorization for the Near East and Africa contained in the Administration bill. Aid for the European area would thus total \$7,318,000,000.

The authorization for the Near East and Africa includes \$65,000,000 for "military aid" (the \$415,000,000 included in the Administration bill less the \$350,000,000 transferred to Europe as above explained) and \$125,000,000 for "economic aid" (as provided in the Administration bill). This makes the total figure \$190,000,000.

The Administration bill provides that not to exceed 10 percent of the \$415,000,000 authorized for military aid to Greece, Turkey, and Iran may be used for military aid to other Near East areas. Since Greece and Turkey are now included

¹ Because of the broad experience which the present United States special representative in Europe has had with the administration of counterpart funds, we took advantage of his presence in Washington to consult with him as to this technical aspect of the bill.

² The estimate for military aid for Greece and Turkey is derived from an analysis of past programs, since we are informed by the State Department that the exact amount presently requested for this purpose is classified.

in the aid for Europe in the annexed bill, the form of such provision is changed to permit a transfer of not to exceed \$50,000,000 from Europe for Near East areas.

TRACY S. VOORHEES,
Vice Chairman.

A BILL To promote the foreign policy and provide for the defense and general welfare of the United States by furnishing assistance to friendly nations in the interest of international security.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Security Act of 1951".

FINDINGS AND PURPOSES

SEC. 2. (a) The United States, dedicated to the purposes and principles of the United Nations Charter and to the promotion of peace and security in furtherance thereof, has heretofore joined with, and rendered assistance to, other countries so dedicated in programs of economic support and recovery, notably a program for European recovery to restore and maintain in Europe the principles of individual liberty, free institutions, and genuine independence through the establishment of sound economic conditions and stable international economic relationships. The United States has likewise joined with, and rendered assistance to, other such countries in programs of individual and collective self-defense against the threat of military aggression and internal subversion. The United States has further initiated programs of technical assistance to, and promotion of capital investment in, economically underdeveloped areas to enable such areas to develop their resources and improve their working and living conditions. An essential element of all of such programs has been the principle of continuous and effective self-help and mutual aid.

The Congress hereby finds that the existence of large military forces under the control of aggressive rulers hostile to freedom, and the proven readiness of those rulers to support and engage in open military aggression as well as political subversion against free peoples, constitute an ever-increasing threat to the security and independence of the United States and of the free world.

Except for the necessity of intensifying and accelerating the program of individual and collective self-defense in the North Atlantic area because of this increased threat, the necessity for continued economic assistance to countries of Europe would in most areas have terminated. The increased threat to the security and independence of the nations of the free world, however, has made necessary the continuation of both the Mutual Defense Assistance and economic programs, and has in large measure bound together the originally separate purposes of each into a single purpose—to help create or restore in the free world the strength and security required to prevent aggression and to achieve a stable and lasting peace.

(b) It is the purpose and policy of this Act (1) to provide for the continuation of the Mutual Defense Assistance Program and to provide such other assistance as may be necessary to render to the countries participating therein economic support essential to an increased military effort; (2) to provide for assistance necessary to continue the economic recovery of Austria, the Federal Republic of Germany, the Free Territory of Trieste, Greece, and Iceland; (3) to continue the program of technical assistance and promotion of capital investment in underdeveloped areas of the world; and (4) to furnish such assistance authorized by law to devastated areas and to refugees.

(c) It is further declared to be the purpose of this Act to reorganize the major foreign assistance activities of the United States under a single agency in order to promote more efficient conduct and improved coordination of such activities with each other and with the foreign policy and national security objectives of the United States.

(d) The purposes of the various foreign assistance Acts heretofore enacted, and of the various titles therein, shall be deemed to include the purposes of this Act, to the extent that they are inconsistent with the purposes of this Act, to be amended and superseded by the statement of purposes in this Act.

TITLE I—MUTUAL SECURITY ASSISTANCE

ADMINISTRATION

SEC. 101. There is hereby established, with headquarters in the District of Columbia, an agency to be known as the Mutual Security Administration (hereinafter sometimes called the "Administration"). It shall be headed by an Adminis-

trator for Mutual Security (hereinafter referred to as the "Administrator") who shall be appointed by the President by and with the advice and consent of the Senate, and shall be responsible to the President for carrying out the purposes and provisions of this Act. The Administrator shall have a status in the executive branch of the Government comparable to that of the head of an executive department, and shall receive compensation at the same rate.

DEPUTY ADMINISTRATOR AND ASSISTANT ADMINISTRATORS

Sec. 102. There shall be a Deputy Administrator for Mutual Security, appointed by the President by and with the advice and consent of the Senate; and four Assistant Administrators for Mutual Security, appointed by the President by and with the advice and consent of the Senate, one of whom may be a member of the Armed Forces. The Deputy Administrator shall receive compensation at the same rate as that payable to an Under Secretary of an executive department, and the Assistant Administrators at the same rate as that payable to an Assistant Secretary of an executive department, except that if one of the Assistant Administrators is a member of the Armed Forces he shall receive only such additional compensation as, when added to his pay and allowances as a member of the Armed Forces, will equal that of the other Assistant Administrators.

TERMINATION OF AGENCIES. TRANSFER OF POWER, AND SO FORTH

Sec. 103. (a) Except as otherwise provided in this Act, there shall be transferred to the Administrator (1) the powers and functions conferred upon the Administrator for Economic Cooperation by the Economic Cooperation Act of 1948, as amended, and the Far Eastern Economic Assistance Act of 1950, as amended; (2) the powers conferred upon the President by the Mutual Defense Assistance Act of 1949, as amended, the Act for International Development, and the Act of May 22, 1947, except the power to conclude international agreements, the power to make appointments by and with the advice and consent of the Senate and such other powers as the President may reserve for exercise by himself; and (3) the powers and functions of the Secretary of State under the Institute of Inter-American Affairs Act. Sections 5 and 8 of the Institute of Inter-American Affairs Act are hereby amended by striking out "Department of State" wherever it occurs and inserting in lieu thereof "Mutual Security Administration."

(b) The following agencies and offices shall cease to exist:

(1) The Economic Cooperation Administration and the offices of Administrator and Deputy Administrator for Economic Cooperation;

(2) The office of United States Special Representative in Europe and of Deputy United States Special Representative in Europe created by the Economic Cooperation Act of 1948, as amended;

(3) The Public Advisory Board created under section 107 of the Economic Cooperation Act of 1948, as amended;

(4) The Advisory Board created by section 409 of the Act for International Development;

(5) The office created under section 413 (a) of the Act for International Development;

(6) The offices created by section 406 (a) of the Mutual Defense Assistance Act of 1949, as amended.

(c) All records, property, positions, and personnel used primarily in the administration of the powers and functions transferred to the Administrator by subsection (a) shall be transferred to the Mutual Security Administration, except that any personnel which the Administrator, within a period not exceeding three months following the date upon which subsection (a) takes effect, decides not to retain shall be retransferred to other agencies of the Government or separated from the service. All appropriations, allocations, and other funds that are available or are to become available for carrying out any of the powers or functions transferred to the Administrator by subsection (a) shall be available for the carrying out of such powers and functions by the Administrator.

(d) Subsections (a), (b), and (c) of this section shall take effect on the day following the date upon which the Administrator first appointed under this Act takes office, or on the thirtieth day after the date of the enactment of this Act, whichever first occurs; except that, if the President makes a nomination (or a recess appointment) of an individual as the first Administrator during such thirty-day period and the first Administrator does not take office until after the expiration of such period, the effectiveness of such subsections shall be postponed until such Administrator takes office.

(c) Notwithstanding the provisions of section 4 (a) of the Bretton Woods Agreements Act, as amended, section 101 (a) of the National Security Act of 1917, as amended, and section 635 (a) of the Export-Import Bank Act of 1915, as amended, the Administrator shall serve ex officio, for so long as the Mutual Security Administration shall continue to exist, as a member of the National Security Council, the National Advisory Council on International Monetary and Financial Problems, and the Board of Directors of the Export-Import Bank of Washington.

INTERAGENCY COORDINATION

SEC. 104. The Administrator, the Secretary of State, and the Secretary of Defense shall each keep the others fully and currently informed on all matters, including prospective action, relating to any program under this Act, which are pertinent to the respective duties of the others. Whenever any action, proposed action, or failure to act on the part of the Administrator appears to the Secretary of State to be inconsistent with the foreign policy objectives of the United States, or appears to the Secretary of Defense to be inconsistent with national defense objectives, and differences of view cannot be settled by consultation with the Administrator, the matter shall be referred to the President for final decision. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of the Secretary of State or the Secretary of Defense is inconsistent with the purposes of this Act and if differences of view cannot be settled by consultation with the Secretary of State or Defense, as the case may be, the matter shall be referred to the President for final decision.

ADVISORY BOARD

SEC. 105. (a) There is hereby created an Advisory Board on Mutual Security Assistance (hereinafter referred to as the "Board") which shall advise and consult with the Administrator with respect to general or basic policy matters arising in connection with the Administrator's discharge of his responsibilities. The Board shall consist of the Administrator, who shall be the Chairman, and not to exceed sixteen additional members to be appointed by the President, by and with the advice and consent of the Senate, and who shall be selected from among citizens of the United States of broad and varied experience in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. Not more than a majority of two of the appointed members shall be appointed to the Board from the same political party. The Board shall meet at least once a month, and at other times at the call of the Administrator, or when three or more members of the Board request the Administrator to call a meeting. Members of the Board, other than the Administrator, shall receive out of funds made available for the purposes of this Act, a per diem allowance of \$50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed \$10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable in order to effectuate the purposes of this Act.

OVERSEAS ADMINISTRATION

SEC. 106. (a) There shall be a United States Special Representative for Europe (hereinafter called the "Special Representative"), who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and have the rank of ambassador extraordinary and plenipotentiary. In addition to such other functions as he may be directed by, or with the approval of, the President to perform, he, or such person as he may designate to represent him, shall be the chief representative of the United States Government to the Organization for European Economic Cooperation, and the representative of the United States Government on the Finance and Economic Board and the Defense Production Board of the North Atlantic Treaty Organization. He may also be designated as the United States representative on the Economic Commission for Europe. In matters relating to the carrying out of the purposes of this Act, he shall receive his instructions from the Administrator and such instructions shall be prepared

and transmitted to him in accordance with procedures agreed upon between the Administrator and the Secretaries of State and Defense in order to assure appropriate coordination. He shall coordinate the activities of the chiefs of special missions in the European area provided for in subsection (e) of this section. He shall keep the Administrator, the Secretary of State, the Secretary of Defense, the chiefs of the United States diplomatic missions, and the chiefs of special missions currently informed concerning his activities. He shall consult with the chiefs of all such missions, who shall give him such cooperation as he may require for the performance of his duties under this Act.

(b) There shall be a Deputy United States Special Representative for Europe (hereinafter called the "Deputy Special Representative") who shall (1) be appointed by the President, by and with advice and consent of the Senate, (2) be entitled to receive the same compensation and allowances as a chief of mission, class 3, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (3) have the rank of ambassador extraordinary and plenipotentiary. The Deputy Special Representative shall perform such functions as the Special Representative shall designate, and shall be Acting United States Special Representative for Europe during the absence or disability, or in the event of a vacancy in the office, of the Special Representative.

(c) The Special Representative shall be assisted by a joint military advisory group appointed by the Secretary of Defense. It shall be the duty of such advisory group to coordinate the activities of the military advisory groups attached to the special missions (provided in subsection (f) of this section) in the European area, to assist the Special Representative in appraising and screening programs of United States assistance recommended by the special missions, and to advise the Special Representative as to the military capabilities and requirements of all countries in the European area which receive assistance under this Act for military purposes, or may become eligible for such assistance.

(d) The President may appoint, by and with the advice and consent of the Senate, a Special United States Representative for the Near East and a Special United States Representative for the Far East, if required to further the purposes of this Act. Such representatives shall receive the same compensation and have the same rank as, and to the extent appropriate, shall perform duties with respect to the regions to which they are assigned comparable to those of the United States Special Representative for Europe.

(e) Except as provided in subsection (i) of this section, there shall be established for each country receiving assistance under the terms of this Act, and there may be established for any country cooperating in regional economic or military programs in support of the purposes of this Act, a special mission for mutual security assistance under the direction of a chief, which shall be responsible for assuring the performance within such country of operations under this Act. The chief of such special mission shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of such special mission shall take rank immediately after the chief of the United States diplomatic mission in such country.

(f) The chief of the special mission in each country receiving assistance under this Act for military purposes shall be assisted by a military advisory group appointed by the Secretary of Defense. It shall be the function of such military advisory group to advise the chief of such mission as to the military capabilities and requirements of the country, and to assist in reviewing and appraising requests for assistance for military purposes received from the authorities of the country.

(g) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on all matters, including prospective action, arising within the scope of the operations of the special mission, and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special mission. The chief of the United States diplomatic mission shall be responsible for assuring that the operations of the special mission are consistent with the foreign policy objectives of the United States in such country, and in the event that the chief of the United States diplomatic mission believes any action, proposed action, or failure to act on the part of the special mission to be inconsistent with such foreign policy objectives, he shall so advise the chief of the special mission and the United States special Representative in the region to which he is assigned. If differences of view are not adjusted by con-

sultation, the matter shall be referred to the Secretary of State and the Administrator for decision.

(h) The Secretary of State shall provide such office space, facilities, and other administrative services for the United States Special Representative for Europe and his staff, and for the special missions in each country, as may be agreed between the Secretary of State and the Administrator.

(i) The Administrator may, where he deems it appropriate and with the approval of the Secretary of State, direct that the functions of the chief of the special mission in any country be assumed by the chief of the United States diplomatic mission in that country.

Sec. 107. In the case of aid under this Act for a military purpose, the Secretary of Defense shall certify to the Administrator, from time to time, the military defense objectives for recipient countries. The Administrator, in continuing consultation with the Department of Defense and with other interested departments and agencies, shall estimate the extent to which the recipient countries will, in the absence of aid under this Act, unavoidably fall short of the objectives so certified, and with the concurrence of the Secretary of Defense, determine the measure and forms of aid which are necessary to enable such countries to accomplish such objectives most effectively within necessary time limits. When such aid is in the form of military items or of related technical assistance and advice, the Administrator shall allocated to the Department of Defense funds for procuring and furnishing such military items and related technical assistance and advice.

Sec. 108. Notwithstanding any of the provisions of the Defense Production Act of 1950, as amended—

(a) The Administrator shall have responsibility for representing, before the authorities in the executive branch of the Government charged with the administration of title I of such Act, the needs of all countries receiving assistance under this Act, and of such other countries as the President may direct, for United States materials and facilities.

(b) Allocations under such Act of United States materials and facilities for foreign countries receiving assistance under this Act and for foreign assistance programs in such countries to the extent that they are made on an over-all, and not on a country-by-country, basis, shall be apportioned by the Administrator among such countries.

CONSOLIDATED AGREEMENTS

Sec. 109. (a) After the date of the enactment of this Act, the powers of the President and the Secretary of State to conclude international agreements in furtherance of the purposes of the Act of May 22, 1947, as amended, the Foreign Assistance Act of 1948, as amended, the Mutual Defense Assistance Act of 1949, as amended, the Far Eastern Economic Assistance Act of 1950, as amended, the Foreign Assistance Act of 1950, as amended, the Institute of Inter-American Affairs Act, and this Act shall be exercised, as respects any individual country, by concluding a single over-all agreement with such country (which agreement may be amended from time to time) covering all assistance to be received by that country under such Acts.

(b) The Secretary of State after consultation with the Administrator is directed, as rapidly as is desirable and feasible, by negotiation with the various foreign countries, to bring about the consolidation of all existing agreements with each such country receiving assistance under any of the foregoing Acts, so that there will be a single over-all agreement with such country (which agreement may be amended from time to time) covering all assistance to be received by such country under such Acts.

(c) Any agreement concluded pursuant to subsection (a) or (b) of this section shall, where applicable, make appropriate provision for—

(1) promotion of production to enable the country to further, to the maximum practicable extent, the support of necessary military forces and joint programs of economic or military cooperation;

(2) cooperation with the United States and other nations of the free world to control exports to any nation or combination of nations endangering the security of the United States and other free countries to the end that trade with such nations will not add to the strength of potential aggressor nations relative to that of the free world; to that end placing absolute and effective embargoes upon the shipment to such potential aggressors of arms, ammunition, implements of war, atomic energy materials, petroleum, transportation equipment of strategic value, and items of primary strategic significance

used in the production of arms, ammunition, and implements of war: *Provided*, That the Administrator, with the approval of the President, may furnish assistance to a country which permits shipment of items other than arms, ammunition, implements of war, and atomic energy materials when unusual circumstances indicate that the withholding of aid would clearly be detrimental to the security of the United States: *Provided further*, That the Administrator shall negotiate with individual countries and groups of countries receiving assistance under the terms of this Act arrangements to control exports to any country or combination of countries endangering the security of the United States or of other free countries of other commodities the export of which, in his opinion, should be controlled; and

(3) placing in a special account deposits in the currency of such country, in commensurate amounts and under such terms and conditions as the Administrator may prescribe, in respect of aid furnished to such country on a grant basis pursuant to any of the Acts referred to in subsection (a): *Provided*, That the obligation to make such deposits shall not apply with respect to aid in the form of military items or related technical assistance or advice furnished pursuant to the Mutual Defense Assistance Act of 1949, as amended: *Provided further*, That the obligation to make such deposits may be waived, in the discretion of the Administrator, with respect to technical information or assistance furnished under section 111 (a) (3) of the Economic Cooperation Act of 1948, as amended, or with respect to ocean transportation furnished on United States flag vessels under section 111 of said Economic Cooperation Act of 1948, as amended, in an amount not exceeding the amount, as determined by the Administrator, by which the charges for such transportation exceed the cost of such transportation at world-market rates: *Provided further*, That the obligation to make such deposits may be waived, in the discretion of the Administrator, with respect to any aid furnished under any of the Acts referred to in subsection (a) other than the Economic Cooperation Act of 1948, as amended, or the Mutual Defense Assistance Act of 1949, as amended: *Provided further*, That, in the case of deposits made in respect of aid furnished pursuant to the Economic Cooperation Act of 1948, as amended, and the Mutual Defense Assistance Act of 1949, as amended, such deposits, together with the unencumbered portions of any deposits which may have been made pursuant to section 115 (b) (6) of the Economic Cooperation Act of 1948, as amended, shall be used within such country or otherwise for strengthening military defenses (including the promotion of the production of items required for military defense and the development of military facilities); for exploring and developing sources of scarce materials; for increasing agricultural and industrial productivity; for the development of any central institution or other organization formed by two or more participating countries to further the purposes set forth in section 111 (d) of said Economic Cooperation Act of 1948, as amended; for local currency administrative and operating expenditure of the United States incident to operations under the Economic Cooperation Act of 1948, as amended, and the Mutual Defense Assistance Act of 1949, as amended, and for expenditures for materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources (and no less than 5 per centum of each such deposit shall be allocated to the use of the United States Government for the purpose of such local currency administrative and operating expenditures and such expenditures for materials); and for such other purposes consistent with the policies and purposes of the Acts referred to in this proviso as, in the judgment of the Administrator, are warranted by special circumstances: *Provided further*, That, in the case of deposits made in respect of aid furnished under any of the acts referred to in subsection (a) other than the Economic Cooperation Act of 1948, as amended, or the Mutual Defense Assistance Act of 1949, as amended, such deposits, together with the unencumbered portions of any deposits which may have been made under international agreements concluded pursuant to such acts, shall be used for projects which are in furtherance of the policies and purposes of such acts, respectively: *Provided further*, That the use of such deposits shall in every case be subject to agreement between such country and the Administrator, who shall act in this connection after consultation with the National Advisory Council on international monetary and financial problems and the Advisory Board provided for in section 105 (a) of this title: *Provided further*, That any unencumbered balance of deposits remaining upon the termination of aid to such country shall be disposed of

for such purposes as may, subject to approval by act or joint resolution of Congress, be agreed to between such country and the Government of the United States of America.

The provisions so required, where applicable, to be included in agreements with recipient countries made pursuant to subsection (a) or subsection (b) shall be in addition to the provisions required by the Economic Cooperation Act of 1948, as amended, the Mutual Defense Assistance Act of 1949, as amended, the Far Eastern Economic Assistance Act of 1950, as amended, and the Act for International Development; except that to the extent that the provisions required by such Acts are inconsistent with the provisions required by this section, this section shall govern.

TERMINATION OF ASSISTANCE

Sec. 110 (a). The Administrator shall terminate the provision of all or part of any assistance authorized by this Act to any country under any of the following circumstances:

(1) when requested to do so by that country;

(2) when the Administrator determines, after consultation with the Secretaries of State and Defense that (A) such country is not adhering to its agreement with the United States under which assistance is being furnished, or is diverting from the purposes of this Act assistance provided hereunder, and that, in the circumstances, remedial action other than termination will not more effectively promote the purposes of this Act, or (B) that such assistance no longer contributes effectively to the purposes of this Act;

(3) when the President directs such termination upon finding that provision of assistance would contravene any decision of the Security Council of the United Nations, or if the President otherwise determines that provision of assistance to any nation would be inconsistent with the obligation of the United States under the Charter of the United Nations to refrain from giving assistance to any nation against which the United Nations is taking preventive or enforcement action or in respect of which the General Assembly finds that the continuance of such assistance is unnecessary or undesirable;

(4) upon passage of a concurrent resolution by the Congress resolving that such assistance should be terminated.

(b) Termination of assistance to any country under this Act shall include the termination of deliveries of all supplies scheduled under the aid program for such country and not yet delivered but funds made available under this Act shall remain available for twelve months from the date of such termination for the necessary expenses of liquidating contracts, obligations, and operations under this Act.

TITLE II—AUTHORIZATION OF APPROPRIATIONS

EUROPEAN AREA

Sec. 201. In order to further the purposes of this Act in the European area, there are hereby authorized to be appropriated to the President for the fiscal year 1952: \$7,318,000,000 for assistance, pursuant to the provisions of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1511-1604), and the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1501-1522), to countries which are parties to the North Atlantic Treaty, Greece, Turkey, and other countries of Europe. Military equipment, materials, and services may be furnished under this section to countries which are parties to the North Atlantic Treaty, to Greece and Turkey, and to any other country of Europe which the President determines to be of direct importance to the defense of the North Atlantic area and whose increased ability to defend itself the President determines will contribute to the preservation of the peace and the security of the North Atlantic area and is essential to the security of the United States. In addition, unexpended balances of appropriations heretofore made for carrying out the purposes of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1571-1604), the Act of May 22, 1947, as amended (22 U. S. C. 1401-1410), and the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1502), through assistance to any of the countries covered by this section are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section: *Provided*, That the Administrator shall so allocate funds appropriated under the authority of this section as to promote the maximum feasible expansion of the capacity of Europe to produce military equipment required for the joint defense and to furnish spare parts and

servicing for equipment furnished from United States sources, subject to the necessity for delivery of such equipment within the time required by the plans for the joint defense and to security considerations which, in the judgment of the Secretary of Defense, preclude production of certain items of military equipment outside the United States.

NEAR EAST AND AFRICA

SEC. 202. (a) In order to further the purposes of this Act in Africa and the Near East, there are hereby authorized to be appropriated to the President, for the fiscal year 1952, \$190,000,000 for assistance to countries in Africa and the Near East pursuant to the provisions of the Mutual Defense Assistance Act of 1949, as amended, and the Economic Cooperation Act of 1948, as amended. Not more than \$125,000,000 of the funds appropriated under the authority of this section shall be available for economic and technical assistance for other than military purposes in these areas, of which not to exceed \$50,000,000 may be contributed to the United Nations Palestine Refugee Agency under the terms of the United Nations Palestine Refugee Aid Act of 1950: *Provided*, That whenever the President shall determine that it would more effectively contribute to the purposes of the United Nations Palestine Refugee Aid Act of 1950, he may allocate any part of such funds to the Mutual Security Administration to be utilized in furtherance of the purposes of such Act, and any amounts so allocated shall be credited upon the agreed amount of the United States contribution to the United Nations Palestine Refugee Agency.

In addition, unexpended balances of appropriations heretofore made for assistance to Iran pursuant to the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1601), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriations authorized by this section.

(b) Amounts appropriated pursuant to the authorization in this section shall be available for military equipment, materials, and services for Iran, or for any other country of the Near East area, whenever the President determines, with respect to such other country, that the utilization of funds for that purpose is essential for the purposes of this Act, and he may utilize, in addition to funds made available pursuant to this section, not to exceed \$50,000,000 of the funds made available pursuant to section 201 of this title. Assistance under this section to any country other than Iran may be furnished only upon the determination of the President that (1) the strategic location of the recipient country makes it essential to the defense of the Near East area, (2) such assistance is of critical importance to the defense of the free nations, and (3) the immediately increased ability of the recipient country to defend itself contributes to the preservation of the peace and security of the area and is important to the security of the United States.

ASIA AND THE PACIFIC

SEC. 203. (a) In order to further the purposes of this Act in the general area of China (including the Republic of the Philippines and the Republic of Korea), there are hereby authorized to be appropriated to the President, for the fiscal year 1952, not to exceed \$930,000,000 for assistance, pursuant to the Mutual Defense Assistance Act of 1949, as amended, the Economic Cooperation Act of 1948, as amended, and the Act for International Development in those portions of such area which the President determines to be not under Communist control. Not more than \$375,000,000 of the amount made available may be used for economic and technical assistance for other than military purposes, including not to exceed \$112,500,000 which may be made available for contribution to the United Nations Korean Reconstruction Agency. In addition, unexpended balances of appropriations heretofore made for carrying out the provisions of title III of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1602-1604), the China Area Aid Act of 1950 (22 U. S. C. 1517), and the Far Eastern Economic Assistance Act of 1950, as amended (22 U. S. C. 1551, 1552, 1543), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section.

(b) The sums made available for Korea pursuant to sub-section (a) may be contributed from time to time on behalf of the United States in such amounts as the President determines to be appropriate to support those functions of the United Nations Korean Reconstruction Agency which the military situation in Korea permits the Agency to undertake pursuant to arrangements between the Agency and the United Nations Unified Command in Korea. In computing the aggregate amount of such contributions by the United States, there shall be

included the value of goods and services made available to Korea by any department or agency of the United States for relief and economic assistance after the assumption of responsibility for relief and rehabilitation operations in Korea by the United Nations Korean Reconstruction Agency: *Provided*, That, whenever the President shall determine that it would more effectively contribute to the purposes of this Act, he may allocate any part of such funds to the Mutual Security Administration to be utilized for assistance to Korea, and any amounts so allocated shall be credited upon any agreed amount of the United States' contribution to the United Nations Korean Reconstruction Agency.

(c) Not to exceed \$50,000,000 of funds appropriated pursuant to this section (excluding balances of appropriations continued available) may be accounted for by certification by the President of the amounts expended and that it is inadvisable to specify the nature of such expenditures.

(d) Unencumbered balances of sums heretofore or hereafter deposited in the special account established pursuant to paragraph (2) of article (V) of the agreement of December 10, 1948, between the United States of America and the Republic of Korea (62 Stat., part 3, 3783) shall be used in Korea and as may be agreed to between the Government of the United States and the Republic of Korea.

AMERICAN REPUBLICS

SEC. 204. In order to further the purposes of this Act in the other American Republics, there are hereby authorized to be appropriated to the President, for the fiscal year 1952, \$62,000,000, of which not more than \$22,000,000 may be made available for economic and technical assistance under the provisions of the Act for International Development and of the Institute of Inter-American Affairs Act, as amended, to countries of such area for other than military purposes: *Provided*, That military equipment, materials, and services may be furnished under this section under the terms of the Mutual Defense Assistance Act of 1949, as amended, only in accordance with defense plans which are found by the President to require the recipient country to participate in missions important to the defense of the Western Hemisphere. Any such assistance shall be subject to agreements designed to assure that the assistance will be used to promote the defense of the Western Hemisphere; and after agreement by the United States and the country concerned with respect to such missions, military assistance hereunder shall be furnished only in accordance with such agreement.

GENERAL PROVISIONS

SEC. 205. (a) Whenever the Administrator determines it to be necessary for the purposes of this Act, not to exceed 10 per centum of the funds made available under any section of this title (exclusive of the funds transferred pursuant to sec. 202 (b)) may be transferred to and consolidated with funds made available under any other title of this Act in order to furnish, to a different area, assistance of the kind for which such funds were available before transfer.

(b) The President, pursuant to section 404 of the Act for International Development, may make contributions on behalf of the United States to such technical cooperation programs of the United Nations and the Organization of American States as he determines will further the purposes of this Act in a total amount not exceeding \$13,000,000 from funds made available under authority of this title and the use of such contributions shall not be limited to the area covered by the section of the title from which the funds were taken.

(c) Funds made available in section 201 for carrying out the provisions of this Act shall be available for the administrative expenses of carrying out this Act, including expenses incident to United States participation in international security organizations and expenses of domestic programs in support of technical assistance activities. Any currency of any nation received by the United States for its own use in connection with assistance furnished by the United States may be used by any agency of the Government without reimbursement from any appropriation for administrative and operating expenses of carrying out the purposes of this Act. Funds made available for carrying out the purposes of this Act in the Federal Republic of Germany may, as authorized in subsection 114 (h) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1512 (h)), be transferred by the President to the Mutual Security Administration or any other department or agency for the expenses necessary to meet the responsibilities and obligations of the United States in the Federal Republic of Germany.

(d) Upon a determination by the Administrator for Mutual Security Assistance that it will further the purposes of this Act, not to exceed \$10,000,000 of the

funds made available pursuant to section 202 of this Act and not to exceed \$25,000,000 of funds made available pursuant to section 203 of this Act may be advanced to countries covered by said sections in return for equivalent amounts of the currency of such countries being made available to meet local currency needs of the aid programs in such countries pursuant to agreements made in advance with the United States; *Provided*, That except when otherwise prescribed by the Administrator for Mutual Assistance as necessary to the effective accomplishment of the aid programs in such countries, all funds so advanced shall be held under procedures set out in such agreements until used to pay for goods and services approved by the United States or until repaid to the United States for reimbursement to the appropriation from which drawn.

(c) In order to assist in carrying out the provisions of this Act, not to exceed \$50,000,000 of funds made available under the authority of this Act may be used to acquire local currency for the purpose of increasing the production of materials in which the United States is deficient.

TITLE III—MISCELLANEOUS PROVISIONS

SEC. 301. The Administrator for Mutual Security Assistance so long as funds appropriated for the purposes of this Act continue to be available for obligation, shall transmit to the Congress reports covering each six months of operations in furtherance of the purposes of this Act, except information the disclosure of which he deems incompatible with the security of the United States. The first such report shall cover the six-month period commencing on the date this Act becomes effective. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

SEC. 302. Whenever, in connection with the furnishing of assistance in furtherance of this Act—

(1) use within the United States, without authorization by the owner, shall be made of an invention, or

(2) damage to such owner shall result from the disclosure of information by reason of acts of the United States or its officers or employees, the exclusive remedy of the owner of such invention or information shall be by suit against the United States in the Court of Claims for reasonable and entire compensation for unauthorized use or disclosure. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by any defendant in a like action. In addition, in any suit for damages for use or disclosure of such information, any written description, model, drawing or other recorded teaching in the files of any department or agency of the Government, which—

(1) has a provable date before the disclosure to the United States by the owner thereof of the information upon which the suit is based, and

(2) constitutes a sufficient description of the information disclosed upon which the suit is based to enable others to practice or employ such information, unless such teaching consists of information obtained directly or indirectly from the owner of the information upon which the suit is based, shall constitute a complete defense for the Government provided by law, such teaching shall not impair the property in such information.

(c) Before such suit against the United States has been instituted, the head of the appropriate department or agency of the Government, which has furnished military assistance in furtherance of the purposes of this Act, is authorized and empowered to enter into an agreement with the claimant, in full settlement and compromise of any claim against the United States hereunder.

(d) This section shall not confer a right of action on anyone or his successor or assignee who, when he makes such a claim, is in the employment or service of the United States, or who, while in the employment or service of the United States, discovered, invented, or developed any invention or information on which such claim is based.

(e) The term "invention" means an invention covered by a patent issued by the United States.

(f) The term "information" means information originated by or peculiarly within the knowledge of the owner thereof and those in privity with him, which is not available to the public and is subject to protection as property under recognized legal principles.

SEC. 303. The proviso in the first sentence of section 403 (d) of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1574 (d)) is hereby

amended to read as follows: "Provided, That after June 30, 1950, such limitation shall be increased by \$250,000,000 and after June 30, 1951, by an additional \$450,000,000".

Sec. 304. Section 414 of the Act for International Development (22 U. S. C. 1557 (1)) is amended by inserting between the words "Act" and "until", the words "for a period to exceed three months".

Sec. 305. Assistance to any nation by means of funds authorized under this Act may, notwithstanding the date specified in section 122 of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1520), continue, subject to the provisions of this Act, as long as such funds remain available for such assistance, unless sooner terminated in accordance with the requirements of section 110 of this Act.

Sec. 306. Section 408 (e) of the Mutual Defense Assistance Act of 1949, as amended (22 U. S. C. 1580), is hereby amended by adding in the first proviso thereof, after the words "of which it is a part", the words "or in United Nations collective security arrangements and measures", and by changing the figure at the end thereof to "\$500,000,000".

Sec. 307. Whoever offers or gives to anyone who is now or in the past two years has been an employee or officer of the United States any commission, payment, or gift, in connection with the procurement of equipment, materials, or services under this Act, and whoever, being or having been an employee or officer of the United States in the past two years, solicits, accepts, or offers to accept any such commission, payment, or gift, shall upon conviction thereof be subject to a fine of not to exceed \$10,000 or imprisonment for not to exceed three years, or both.

STATEMENT OF ROBERT EMMET RODES, WASHINGTON, D. C.

Colonel RODES. I would like to go over it, because I think some of the things in it might bring out questions; at least I hope they will.

Chairman RICHARDS. Colonel, where do you live?

Colonel RODES. I live in New York City at the present time.

Chairman RICHARDS. I thought you lived in North Africa.

Colonel RODES. I have a business over in North Africa, or I did have until the State Department arranged for me not to run it any more.

Chairman RICHARDS. So you came to New York City?

Colonel RODES. No, sir; I came to Washington, thinking that if I told what I knew, it would take about 2 weeks to have someone fix our problem up.

Chairman RICHARDS. And that is what you are here for, to tell what you know?

Colonel RODES. That is correct.

Chairman RICHARDS. What relation has that to the bill we have before us?

Colonel RODES. This trouble first started when ECA started, and the French Government found that they could use United States public dollars to do what was being done with private dollars. That is the relation to the bill.

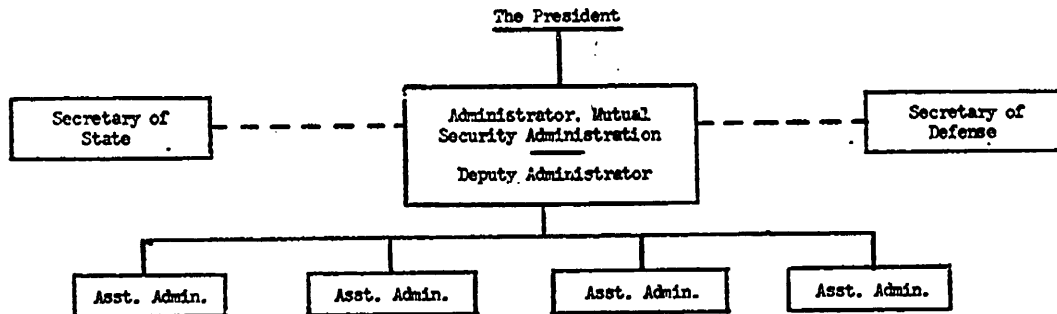
What I am hoping is that legislation which was passed last year to end that, and was set aside by the Department of State on two different occasions, will be passed in such a way this year that it can't possibly be set aside, and that no loophole will be found in it that will allow the Department of State to do the sort of thing that they have done with legislation, to your knowledge, in the past year.

Chairman RICHARDS. In other words, you want safeguards in the bill to prevent the things that are being done in Morocco to American citizens?

Colonel RODES. Yes, sir. To American citizens—

Chairman RICHARDS. Now, you mean?

Mutual Security Administration (Wash)



- Notes: (1) The Administrator will have Cabinet rank and will serve as a member of the National Security Council.
- (2) One of the Assistant Administrators may be a military man; four are provided to permit reasonable flexibility in assignments by function or by area.

———— Supervisory Relationship
----- Consultative Relationship

Colonel RODES. Yes, sir; and to the United States, and to our laws, and to our Constitution.

Chairman RICHARDS. All right, sir; go ahead.

Colonel RODES. Well, first, I would like to say this: that at the present time I am carrying out a tour of active military duty in connection with my Reserve status. I am a lieutenant colonel in the Engineer Reserve.

I was asked by the Army, since it is stated here that I am a colonel, to state that I am here in an entirely private capacity; and that nothing that I may say here has any connection with the Army or anything except my civilian activities.

Chairman RICHARDS. How long is your tour of duty to be?

Colonel RODES. My tour of duty will be 3 months; a month longer, now.

Morocco is a sovereign nation under the rule of a Sultan. The Sultan of Morocco agreed by treaty in 1836 to accord the United States equal treatment with any other nation and guaranteed an open door for our trade. In 1906, Morocco signed the Treaty of Algieras with 12 other nations, including the United States and France. All signatory nations, their trade and their citizens, have equal treatment under this treaty. Each of the signatories promises to honor this equality and recognize Morocco's previous treaty commitments, including the 1836 United States-Moroccan treaty. The Algieras Treaty also fixes customs and tax rates and procedures, and forbids monopolies.

In 1912, France entered into a protectorate agreement—Treaty of Fez—with the Sultan which gave both nations certain advantages but did not alter either the Sultan's sovereignty or the treaty status of other nations.

In 1917, as a friendly gesture to our ally, we recognized the protectorate. The recognition terms stipulated that American rights in Morocco would be unchanged and stated that only the United States Senate could alter them. France accepted these terms "with satisfaction" and "sincere appreciation."

France subrogated, to Spain, protectorate rights over the northern portion of Morocco. A small portion around Tangier already was under international political rule.

None of these arrangements changed the status of Moroccan trade or customs as defined in the Treaty of Algieras. The United Nations found, in 1950, that:

The customs status of Morocco is based on the following principles: Freedom of trade, and equal treatment among all countries (the act of Algieras), customs unity within the entire Sherifian (Moroccan) Empire and uniform customs tariffs for all nations; however, the duty on imports cannot exceed 10 percent ad valorem (p. 118, vol. II, United Nations Report on Non-Self-Governing Territories, Lake Success, 1950).

That is extremely clear. It always has been generally admitted by the French and our State Department. In discussions of trade possibilities in Morocco, the Department always advised Americans of our treaty-guaranteed equal-trade privileges, of business opportunities and of treaty prohibitions against unequal taxes and customs. A number of Americans went into business in Morocco after World War II. They included many veterans who had served in Morocco,

had seen an opportunity there and returned with agencies for American firms.

In 1947, the French became jealous of this group and decided to drive them out, setting aside every treaty requirement in the process. Every possible administrative trick was used. Special customs and taxes were levied. French concerns received illegal monopolies. In 1948, an embargo and a free list of United States goods were published. Products which enter freely usually are controlled by French agents or cartels. Those sold in free competition are embargoed. Exports to America were curbed and now are at an all-time low; in spite of the fact that Moroccan exports are about 400 percent over prewar, those to the United States are just a little bit below prewar. The reason is that they can get dollars free, and to get other currencies they have to give merchandise.

French cartels, which never were legal in Morocco and which France agreed to end, in the Byrnes-Blum pact of 1946, were given special privileges, even in the use of United States funds.

The Department of State admitted these abuses. It protested them until Mr. Acheson became Secretary. After that, it decided that some of them were "justified by Morocco's dollar shortage."

Each time legislation to remedy the abuses became imminent, however, the Department made profuse assurances that negotiations to remedy them were under way. None of these "negotiations" has brought results.

The Senate passed an amendment to last year's ECA Extension Act which denied counterpart funds to "any recipient country so long as any dependent area of such country fails to comply with any treaty between the United States and such dependent area." The amendment also stipulated that:

The terms of any treaty to which the United States and any participating country are parties shall remain in full force and effect until superseded by a new treaty, ratified by the Senate, unless prior thereto it expires by its own terms.

The Department of State and the ECA Administrator assured the conferees that new "consultative machinery" would make the amendment unnecessary.

I think, Mr. Chairman, you remember that. You were on that conference which was told that new "consultative machinery" would make the amendment unnecessary. The Connally amendment was adopted instead. If it had been applied honestly, several of the abuses would have been ended. Here is a draft of a memorandum which was discussed in the Department of State as action that might be taken in consequence of the Connally amendment. In my opinion, it was justified by the amendment. I do not know whether a similar memorandum was sent out. If it was, it was entirely without result. I think that that would be very enlightening, and I would appreciate it if it could be put in your record.

Chairman RICHARDS. What was that document that you wanted to put in the record?

Colonel RODES. This memorandum here. After the Connally amendment was passed, the amendment with which you are familiar, a discussion took place in the Department of State as to what action should be taken—this was a rough draft discussed as a memorandum which should be sent to our Minister at Tangier in connection with the Connally amendment.

Chairman RICHARDS. Was it sent?

Colonel RODES. I do not know.

Chairman RICHARDS. Was it adopted?

Colonel RODES. I do not believe it was. If it was, it did not achieve any results.

Chairman RICHARDS. I cannot see why that should go in the record.

Colonel RODES. All right, sir.

Two months later the Senate Appropriations Committee learned that the "consultative machinery" was not working and that no action whatever had been taken or would be taken on the Connally amendment except to protect our oil interests in Britain. The committee reported out an amendment to force treaty compliance.

The Senate considered the following memorandum:

MOROCCO AMENDMENT—H. R. 7786

(P. 448, line 25, of bill)

This amendment withholds ECA funds from France if after November 1, 1950 French Morocco continues to disregard her United States treaties.

A similar amendment to the ECA authorization asserted in addition that treaties with ECA recipients could be altered only with Senate ratification. It was defeated in the House by 18 votes but passed the Senate. It was defeated in conference when the conferees were told that "consultative machinery" in Morocco had cured the situation and that the Connally amendment would be invoked if the new arrangement should fail.

Americans in Morocco, their trade organizations and their American Legion post insist that there has been no improvement and that conditions are worse than ever. This is partially confirmed by the State Department itself in its report of June 6, 1950 to the Appropriations Committee (p. 261 hearings report):

"Our consul at Rabat has done an excellent and conscientious job in bringing about such solutions as are possible from the consultative meetings. The administrative tactics of the French officials, however, continue to delay the results and to multiply the minor discriminations * * * the consultative machinery has not been successful in solving larger problems touching French policy * * *."

The Moroccan difficulties began when French officials launched a campaign to drive about 40 independent American businessmen, mostly veterans, out of French Morocco.

The success of this campaign required the nullifying of treaties which guaranteed Americans trading equality; forbade monopolies; limited taxes and customs and prescribed methods of assessment—in short, made the usual colonial favoritism and corruption impossible. Recent French acts demonstrate the wisdom of these treaty provisions and the necessity of preserving them.

Previous French attempts to set treaty terms aside had always been resisted by the Department of State, which prior to 1949 insisted that such action would require Senate approval. Even in the early part of 1949, the present campaign was protested by the Department and Americans were promised full redress.

After 2 years of determined French refusals to its demands, the Department adopted the line of least resistance and sought excuses for French anti-American acts. The general excuse advanced is "Morocco's dollar shortage." This cannot be even vaguely connected with any treaty violations except import embargoes, and these have actually hurt Morocco's dollar position.

The embargoes began in January 1949, supplanting free competition begun in March 1948. They raised Morocco's dollar imports to an almost record high, lowered her dollar exports to a postwar low. The real effect was to transfer dollar trade from the United States and American traders to foreign countries and Frenchmen. While foreign nations' share of Morocco's dollar trade more than doubled, that of the United States decreased 35 percent. The embargoed products were selected solely because Americans had successfully dealt in them. Thus, DDT, cotton textiles, and refrigerators are banned, while unlimited dollar purchases of tea, radios, and cigars are permitted.

Assistant Secretary of State Gross wrote last year:

"The Department has repeatedly recognized that American businessmen have specific legitimate grievances that should be remedied" (Congressional Record, August 4, 1949, p. 10975).

Among grievances still outstanding are: Taxes and customs described by the Department variously as "illegal," "arbitrary," and "discriminatory," have not been repaid, although recovery has been promised by the Department for over 2 years. Illegal seizures in kind, and taxes which the Department told Americans "you are in no way required to pay" still continue. French cartels and other treaty-forbidden monopolies are becoming more powerful. A decree limits all bus operations by Americans to 320 seats, while their French competitors are granted unused licenses for thousands of seating capacity. Embargoes which the Department formally wrote the Moroccan Government it would not accept, prevent export of many products to the United States. An ever-increasing list of countries are given preference over the United States in two-way trade with Morocco, despite treaties to the contrary. Among these are Argentina, Bulgaria, Czechoslovakia, Egypt, Hungary, and Spain, all of whom have bilateral agreements with Morocco which give them a preferred position over the United States.

If the Department intended to act under the Connally amendment, it would have done so 3 months ago when the amendment was passed. If it were in good faith in insisting that its heretofore futile measures will cure the Morocco situation, it should have no objection to the present amendment which becomes effective only if, by November 1, 1950, all other measures have failed. With the time already elapsed, it will have had 6 months in which to fulfill its most recent promise to end Moroccan abuses.

Chairman RICHARDS. As I remember it, you were opposed to the Connally amendment.

Colonel RODES. I was, because I did not believe that anything that gave the Department of State any discretion would be carried out. If a statement of the sense of Congress were to have results, Congress certainly had stated it the year before. They had not stated it in as formal a manner, but they certainly stated it. The joker in the Connally amendment was that the Department of State would have to certify to ECA that abuses were going on. The Department merely refrained from certifying. The ECA Administrator said if he received such a certification, he would act; but the Department of State did not give the certification.

Identical promises of redress have been made by the State Department for over a year, each time legislation was pending. Now, for the fourth time—still quoting the statement made last year to the Senate—it seeks to avoid an unequivocal congressional mandate requiring action in Morocco. If it is successful, the situation will continue to fester until new legislation is passed.

The Senate voted by 43 to 29, and the conferees accepted, an amendment intended to give France her option of observing the Moroccan treaties or of foregoing ECA aid.

The Legal Division of the Department drafted a memorandum on treaty violations which was based, I believe, in part on the following rough draft which I discussed with them on September 20, 1950. It was discussed with the Legal department of the Department of State, and at that time they stated no objection to it, in any of the facts stated in it. This is a rough draft of suggested memorandum to the President;

1. Amendment No. 476 to the General Appropriations Act of 1951 reads:

Provided, etc. * * *

2. Pertinent terms of the principal treaties between the United States and Morocco are—

(a) The Treaty of Peace and Friendship of 1836 which provides—article XIV: "Commerce with the United States shall be on the same footing as that with the

most favored nation"; article XXIV: "Whatever indulgence in trade or otherwise shall be granted to any of the Christian nations the citizens of the United States shall be equally entitled to them"; and article XVII: "[United States] merchants may buy and sell all sorts of merchandise but such as are prohibited to the other Christian nations."

(b) The Madrid Convention (1880), signed and ratified by 13 nations including the United States, France, Spain, and Morocco, article 17 of which recognizes "the right to the treatment of the most favored nation" as belonging to all the participating nations;

(c) The general act of Algeiras concluded in 1906 by the same nations which established the principle of the "open door" and "economic liberty without inequality" (for all signatory nations); recognizes all previous treaties; prohibits concessions and monopolies unless established by competitive bidding; limits taxes and customs and sets up a procedure for the appraisal and assessment of the latter.

3. In 1912 France, by the Treaty of Fez, concluded a protectorate arrangement with the Sultan of Morocco under which French personnel acting for and on behalf of the Sultan were to accomplish certain administrative reforms and France received the right to carry out all the Sultan's negotiations with foreign nations. In 1913 France delegated its protectorate arrangement to Spain for the portion of Morocco now known as the Spanish zone.

4. In 1917 the United States recognized the French protectorate with full reservation for all rights and privileges acquired under previous treaties, which France, under the act of Algeiras was committed to respect. The United States has never recognized the Treaty of Fez nor the separation of the Spanish and French zones of Morocco. Our policy has always been to consider Morocco as a single autonomous country under the rule of a Sultan.

5. Since the inception of the protectorates France and Spain have repeatedly attempted to derive commercial and economic advantage from their status as protectors. The United States has always opposed their efforts as being contrary to the terms of the foregoing treaties and beyond the letter or the intent of our recognition. (An excellent summary of the United States position begins on p. 488, Foreign Relations, 1929, vol. III.)

6. In determining which acts of the Moroccan Protectorate constitute failures to comply with treaties between the United States and Morocco, it would appear that present consideration need be given only to violations for which evidence has been received and with respect to which complaints have been lodged with the Department and which were bases of complaints that led the Senate Appropriations Committee to recommend the legislation under discussion. Such violations are:

(a) Maintenance of monopolies or limitation of free competition in transportation, and in trade through cartels or otherwise. Such arrangements are in direct contravention of the principle of "economic liberty without inequality." They have the effect of giving a favored position to French nationals. The transport monopolies are patent violations of the anti-monopoly provisions of the act of Algeiras. Apart from the Moroccan treaties the United States has always opposed the cartel system and Franco agreed to give it up in article 4, paragraph 3, of the Byrnes-Blum pact. Treaty compliance should include the admission of the unrestricted right of any American to enter, expand, and freely compete in any business in Morocco for which monopolies are not granted in full compliance with treaties.

(b) Certain "consumption taxes," notably those on lubricating oil and tires, were increased unilaterally in 1948 when 90 percent of these two products were furnished by the United States. They are in effect an increase in customs duty. No product imported principally from France pays a similar tax. Even luxuries such as jewelry, furs, and leather goods pay only the regular 12½ percent duty fixed by treaty. This tax has been protested by the United States since early in 1948 and in September of 1948 the United States diplomatic agent was informed by the chief of the Moroccan Diplomatic Cabinet that its collection would cease and that sums paid by Americans on the two products would be reimbursed. This was not done. Cessation of these taxes and their reimbursement are essential to treaty compliance.

(c) According to the act of Algeiras customs are to be based on valuations determined on an annual or semiannual basis and publicized in advance. The French zone of Morocco makes local appraisals at the time of arrival. In many cases such appraisals were on a dual basis of valuation which would have been impossible if treaty provisions had been observed. The result was

that Americans often paid substantially more than their French competitors for identical or similar products. Compliance with the act of Algeciras would include reversion to appraisals according to its terms and reimbursement to Americans of overcharges resulting from dual standards of appraisal. The act also provides that importers dissatisfied with evaluations may settle customs charges by ceding one-eighth of their product. Compliance with this provision should be required. It now is refused."

In that connection, I imported merchandise into Morocco at \$48 a ton and it was assessed \$250 a ton. I made a formal protest to the consulate, but only half of the merchandise had been taken out of the dock. They immediately assessed the other half \$500 a ton and told me they did not like my attitude.

(d) Importers of refined sugar are forced to cede 50 percent of their imports at a loss to the Government who in turn sells it to the sugar cartel. This is an increase in custom duty fixed by the act of Algeciras. It gives additional protection to cartel members who own local refineries and permits the cartel to maintain prices which are substantially above world market prices.

In that connection, the Communists in Morocco were saying for a long time that the United States and the French sugar cartel had arranged for Moroccans to pay twice the world price for sugar. It was the only piece of Communist propaganda that I ever saw that was entirely accurate.

Similar cessions were required during 1948 and a part of 1949 for coffee and tea. All cessions should be abandoned and importers should be justly recompensed for those previously required, as a part of treaty compliance.

(e) Morocco now places restrictions on export and import trade with the United States which do not apply equally to trade with France and all other nations. Such inequality is contrary to the most-favored-nation terms of all three treaties and to articles XVII and XXIV of the treaty of 1836. The Department in its argument against the amendment informed the Senate Appropriations Committee that "The treaty of 1836 requires equality of treatment to trade between both France and the United States. This means that purchases in the United States for dollars may not be more restricted than purchases in France for francs." These remarks apply equally to exports. All of the restrictions should be abandoned in order to comply with the treaties in question.

(f) France requires Morocco to maintain free convertibility at parity of its currency with that of France. While the end result of this arrangement is a preferential arrangement for French trade and investments it is not necessarily in itself a treaty violation. However, Morocco should be informed that cases in which United States citizens or trade are placed at a disadvantage which is contrary to the principle of complete equality, the de facto linking of the two currencies will not be admitted as a valid reason for such disadvantage.

That linking of the two currencies was one of the most unjust things that I ever saw.

Mr. VOYRS. You do not claim it was a violation of the treaty, though.

Colonel RODES. I do not claim that but in its implementation, if it is used as an excuse to make a difference in trade, then it does become a treaty violation. What actually happened was that when Morocco's currency had about 10 times the intrinsic value of that of France, when Morocco had a balanced budget and virtually no debt, France suggested that the two currencies be linked at parity. The Sultan of Morocco, who has sole legislative authority in Morocco, refused to sign the decree, but the French enforced it anyway, as a simple fiat that has absolutely no legal right of existence.

However, the final decision was to evade the law. The following statement shows how this was done:

**STATEMENT RELATIVE TO CONTINUANCE OF ECONOMIC ASSISTANCE TO FRANCE
AND OF VIOLATIONS OF UNITED STATES TREATIES BY MOROCCO**

Public Law No. 759 denies economic assistance funds to "any nation of which a dependent area fails in the opinion of the President to comply with any treaty to which the United States and such dependent area are parties." This was intended to end violations of United States treaties by the French protectorate of Morocco. Before passing this proviso, both the Senate and the committee of conference considered and disagreed with the Department of State's claims that the treaties had been altered by Executive acts and that certain of these acts had implied congressional approval.¹

France instituted suit in the International Court of Justice to establish that compliance with the Moroccan treaties should not be required. Her case is based primarily upon the arguments which the Department of State advanced to Congress and with which Congress disagreed.²

One French contention is that the United States recognition of the French protectorate over Morocco gave special privileges to French organizations and trade in that country. The recognition was a purely executive act. It made full reservation for United States treaty rights, stating that they could not be changed without advice and consent of the Senate.

Furthermore, the recognition was without quid pro quo for the United States. It was purely a friendly gesture to bolster French morale and international prestige in her trying days of early 1917. Its terms were "accepted with satisfaction enhanced by the motives which inspired them," by Ambassador Jusserand, who also expressed his Government's "sincere appreciation of the decision of the Government of the United States to recognize our protectorate in Morocco" and added: "The terms in which you were so good as to notify it to us enhanced the value of this token of good will and my Government is confident that the traditional and sincere friendship between our two countries will be increased by this recognition."³

France now contends to the Court:

"Since the Government of the United States has recognized in a formal manner the protectorate of France over Morocco by the notes of January 2 and October 20, 1917, the Government of the French Republic could not admit claims which would in fact have the result of preventing it from fulfilling the mission which it has assumed."⁴

A similar French claim was effectively opposed by the United States in 1929 in a note⁵ which recalled all of the circumstances and terms of the conditional recognition of the protectorate and which concluded:

"It is obvious from a perusal of the above documents that the United States merely extended political recognition to the French protectorate over Morocco, leaving the question of a possible modification of its treaty rights, which would require ratification by and with the advice and consent of the United States Senate, for future negotiations between the two governments and it is equally obvious that the distinction was clearly understood by the French Government. It need hardly be remarked that no such negotiations have ever been carried out or ratified.

"In consequence, it is apparent that the treaty rights of the United States in Morocco remain as defined in the Act of Algeciras and previous treaties."

The Department of State has announced that the President will not make a determination relative to treaty compliance by Morocco and will continue French aid until the Court renders its verdict.⁶ By stipulation between the United States and France, this will require at least until November 1951.⁷ The arrangement between France and the Department of State nullifies the appropriation restriction which was clearly intended to give France her option of foregoing United States

¹ Senate Appropriations Committee Hearings on Foreign Aid for 1951, pp. 257-264.

² Congressional Record, July 31, 1950, pp. 11512, 11513.

³ Statement by the Department of State and ECA on the Hickenlooper Amendment (Undated. Circulated to Committee of Conference on Appropriations).

⁴ State Department Press Release No. 1111, dated October 27, 1950.

⁵ Foreign Relations 1917, vol. 3, p. 1093.

⁶ See footnote 4.

⁷ Foreign Relations 1929, vol. 3, p. 483 and following.

⁸ See footnote 4.

⁹ "France and the United States in the World Court," by Richard Young, editor in chief, American Bar Association Journal for March 1951, p. 228.

economic assistance or of ceasing treaty violations in Morocco of which Americans had complained.

The Department of State justifies its position by claiming that the United States is committed to the mandatory jurisdiction of the International Court of Justice.¹⁰ The adherence of the United States to the mandatory jurisdiction of the Court specifically excepts "disputes arising under a multilateral treaty unless all parties to the treaty affected by the decision are also parties to the case before the Court."¹¹ This clearly would avoid mandatory jurisdiction in any suit by France alone, arising out of the Act of Algeiras, a multilateral treaty. Furthermore, France's own adherence to the Court's jurisdiction, on February 3, 1949, specifically excluded consideration by the Court of situations arising prior to that date. This would have permitted the United States to refuse the Court's consideration of Moroccan treaty violations which began in 1917.¹²

The United Nations states that:

"The customs status of Morocco is based on the following principles: Freedom of trade and equal treatment among all countries (the Act of Algeiras), customs unity within the entire Sherifian (Moroccan) Empire and uniform customs tariffs for all nations; however, the duty on imports cannot exceed 10 percent ad valorem."¹³

The Department of State admitted to the Senate Appropriations Committee that "The United States enjoys certain rights in Morocco, including * * * most-favored-nation treatment for United States commerce and 'economic liberty without any inequality,'" and stated further, "The Treaty of 1836 requires equality of treatment to trade between Morocco and both France and the United States."¹⁴

Moroccan acts complained of by Americans are violations of the foregoing principles, to which the United Nations and the Department of State both find that France is bound.

Treaty compliance would include cessation of all attempts to place French trade on a more favorable basis than that of the United States in Morocco; elimination of favored positions enjoyed by French cartels and other French-owned monopolies forbidden by the Act of Algeiras; collection of customs as prescribed by the Act of Algeiras and refund of sums collected in contravention of its terms.

The special restrictions on United States trade and unauthorized methods of customs appraisal are not practiced in the International Zone of Morocco (Tangier) It follows that they could not be continued effectively without the customs barrier which France maintains between the two zones, despite the treaty requirement of empire-wide customs unity.

It is apparent that France in instituting her suit had the fullest cooperation of the United States Department of State and that this cooperation was the Department's method of continuing a situation which the Department had defended before Congress and against which Congress legislated. This persistent attitude in the State Department and the apparent inaccuracy of its statement as to its commitment to accept the Court's jurisdiction justify doubts as to whether the Department will effectively protect the interests of the United States in preparing its defense and whether it will seriously attempt to bring about the complete treaty compliance to which the United States is entitled and which should be relinquished only by a renegotiation of the treaties in question with advice and consent of the Senate as required by the Constitution.

The French suit does not claim and, if successful, will not establish that there is full compliance with all terms of United States-Moroccan treaties, the sole condition which entitles France to United States aid.

Colonel RODES. Footnote No. 9 is particularly pertinent to the subject. It establishes that treaty violations which have been protested by the Department of State are continuing, that the Department of State gave its full assent to the French suit prior to its filing, and that the United States could if it wished avoid the Court's mandatory jurisdiction.

What I would like to say very briefly is that this law which was passed stated very bluntly that there would be no economic aid for

¹⁰ See footnote 4, p. 540.

¹¹ S. Doc. 123, 1946, p. 156.

¹² See footnote 9, p. 540.

¹³ United Nations Report on Non-Self-Governing Territories, 1950, vol. II, p. 118.

¹⁴ See footnote 1, p. 540.

any country of which a dependent area fails to comply with treaties of the United States. In conference the words "in the opinion of the President" were placed after "fails" because someone had to determine the facts. The Department of State then arranged with France at the last minute, after some more of the usual negotiations which never have any results, that France would bring its suit against us in the International Court of Justice, the first time we have ever been sued there, to establish that the treaties which had bound the two countries for a long time should not be enforced. They decided that until the International Court of Justice had rendered its decision, they could not determine whether these treaty violations, which they were on record as having protested time after time, actually existed and that France would get aid just as if no legislation had ever been passed. That is the status at the present time.

I have pointed out the Department of State's double-dealing in this matter. I have a letter here which I wrote to Senator George on this.

Chairman RICHARDS. You consider it a part of your statement?

Colonel RODES. Yes, sir; I do.

Chairman RICHARDS. Without objection that will be inserted in the record.

(Letter referred to is as follows:)

MAY 1, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR GEORGE: I have often claimed that certain State Department decisions cannot be justified by facts, and have given data indicating that the Department resorts to untruths in attempting to explain such decisions.

An example is in recent testimony of Mr. Winthrop Brown before your committee, found on pages 1201 and 1202 of volume II of your hearings. This unequivocally refutes previous statements made by the Department in attempting to justify its refusal to comply with an appropriation restriction which, in effect, gives France the option of abiding by certain United States treaties or of giving up United States economic assistance. The Department arranged for France to sue the United States at The Hague and to continue aid until the Court reaches a decision.

In justification, the Department stated that "The United States is committed to submit to the compulsory jurisdiction of the Court in cases of this type." (Quoted from State Department Press Release No. 1111 of October 27, 1950, circulated to interested members of the Senate as well as to the press and the public.) I pointed out that "The declaration (ratification) accepting World Court jurisdiction excepts 'disputes arising under a multilateral treaty unless all parties to the treaty affected by the decision are also parties to the case before the Court' (8. Doc. 123, 1946, p. 156)" and that "Since all signatories of the Act of Algiers are affected and only France and the United States are parties to the suit, we are not required to submit to the Court's jurisdiction."

Under Secretary Webb was even more emphatic in his letter of November 28, 1950, to the Commerce and Industry Association of New York, in which he stated: "It should be noted that the United States is subject to the compulsory jurisdiction of the Court in cases of this kind and that the French action in submitting an application to the Court leaves the United States with no alternative but to agree to this means of settling the dispute." This letter was reproduced and is currently being distributed with other material "explaining" the Department's decision in the Morocco case.

In the March issue of the American Bar Association Journal its editor in charge, Richard Young, indicates that the State Department contention may be challenged on a second score. He states:

"In thus according to the proceedings at The Hague, the United States showed no desire to take advantage of a possible loophole in the compulsory jurisdiction of the Court asserted by France. France, in accepting that jurisdiction by a

declaration ratified on February 3, 1949, excluded therefrom disputes arising from facts or situations existing prior to that date. The United States might conceivably have claimed that under this exception proceedings could not have been instituted against France on the Moroccan question, as a situation existing prior to February 3, 1949; and that therefore, for lack of the reciprocity required, France could not hold the United States bound on the Moroccan question under the United States' acceptance of compulsory jurisdiction."

The Department's Statement to your committee, submitted by Mr. Brown, supports both Mr. Young's findings and my own, in the following excerpts: "the United States of America recognizes as compulsory ipso facto and without special agreement, in relation to any other state accepting the same obligation, the jurisdiction of the International Court of Justice * * *

"This declaration accepting compulsory jurisdiction * * * specified that the declaration should not apply to—* * * (c) disputes arising under a multilateral treaty, unless (1) all parties to the treaty affected by the decision are also parties to the case before the Court * * *

"The GATT is a multilateral agreement. Hence, under reservation (c) the United States would not be obliged to accept the Court's jurisdiction unless all parties to the GATT affected by the decision were also parties to the case before the Court, or unless the United States specially agreed to the Court's jurisdiction."

I hope that you and your colleagues will bear this example in mind in evaluating more involved, less easily checked, statements issued by the Department.

Yours sincerely,

ROBERT EMMET RODES.

Colonel RODES. This World Court scheme is a grave threat to our constitutional system. If the Court can determine that the United States is bound by State Department acts which conflict with treaties, obviously it can determine that such acts are binding when no treaty exists. This means that the Department of State can commit the United States by writing a simple note to a foreign government, letting the Government bring suit at The Hague to enforce the note, and making a weak defense of the suit. The result can be a binding court decision which can bring United Nations sanctions on the United States if it is not carried out. A simple diplomatic agreement might acquire the force of domestic law without any legislative body having passed on it.

Here is a report by the Senate "watchdog" committee, entitled "Violation of United States Treaty Rights in Morocco," and "submitted in the belief that the Senate will find it useful in case it decides that the will of Congress should be carried out." It refutes the contention that "dollar shortage" caused the treaty violations or is improved by them and finds that "this manner of circumventing the will of Congress appears to be highly irregular." This is already in public print and I would like to leave it just for your files.

Chairman RICHARDS. You refer to it in your statement, do you not?

Colonel RODES. Yes, sir. I would like to leave it for your files.

Chairman RICHARDS. That will be done.

Colonel RODES. I believe that all of you feel that the Department of State and France are proving more stubborn in this matter than its intrinsic importance warrants. That is undoubtedly correct.

There are two factors involved. One is colonialism, and the other is socialism.

France keeps indigenous populations of her colonial areas in a low economic state. This permits her to use cheap, ignorant colonial labor to produce cheap raw materials for French industries. She makes them buy French manufactured goods at inflated prices. She

also is increasing her nationalization in industry and mines and many other social schemes.

The free competition which Moroccan treaties guarantee threatens the colonial system. Inevitably it will result in an unequivocal comparison of free enterprise in Morocco with regimentation, socialism, and near peonage as practiced in France's outright colonies. Neither France nor our Department of State want this. They have determined to disregard Morocco's legal independence and make her an outright colony. (France already controls four times as much land per capita as we do. Why any American should help them increase their holdings is hard to understand.)

Although we are supposed to oppose both colonialism and socialism, the Department of State backs both of these practices for France and England. Incidentally, this procolonial attitude of the Department has lost us hundreds of millions of former friends.

French officials now are trying the same tricks on our Army contractors and military personnel connected with our bases. Our State Department, again, is unable or unwilling to remedy the situation. Whether the Department is capitulating or negotiating the results are always the same.

This matter can be cured only in one way—by unequivocal legislation which will make the Department act. This would be by two amendments:

"1. Any treaty to which the United States and any nation recipient of economic assistance authorized hereunder are parties shall remain in full force and effect until superseded by a new treaty unless prior thereto it expires by its own terms.

That is merely a statement of policy that a State Department official may not write a note which sets aside a treaty.

Now, going to the basis of that, when treaties are considered, the pros and cons, what we gain and what we give are weighed one against the other. If after that is done the State Department on its own may determine that the foreign nation need not give us what we have bargained for, or that we will increase what we have agreed to give, then all of the conditions of ratification become valueless. You might just as well tell them in the first place to "go ahead and make your own deal, because you can change the deal any time you wish." They have actually done that in this case and France has based its suit primarily on a claim that the State Department by its simple notes has changed our treaties.

Then the second amendment is as follows:

2. If rights of United States citizens and trade in any dependent area of any recipient nation are defined by treaties to which the United States and such dependent area are parties—

this sounds a little complicated, but it merely narrows it down to Morocco, without naming it—

and if United States citizens have complained that such dependent area is failing to comply with such treaties and if the United States has made representations based on such complaints, then the recipient nation shall not be eligible for economic assistance hereunder until (a) the Secretary of State shall certify that the recipient nation and the dependent area are complying fully with such treaties and that the recipient nation has agreed to reimburse on or before January 1, 1952, or not more than sixty days after the receipt of proper claims, amounts by which taxes and customs collected from United States citizens subsequent to January 1, 1947, exceed amounts which would have been collected had treaty terms been observed and (b) that in making the certification required by (a) he has

assumed that the treaties in question as ratified by the Senate are in full force and have not been altered by any Executive act. The Administrator is authorized to release counterpart funds for the payments prescribed in (a).

If you do this you will warn nations to treat our citizens fairly. You will teach them that no matter how successful they are in browbeating or hoodwinking our State Department, they still must deal with Congress and the American people. You will establish an oasis of free enterprise in a desert of regimentation and show the whole African Continent what our system can do. You will give a set-back to colonialism and to the prevalent belief among colonial peoples that western success will mean a resurgence of the old system which has kept them down so long.

Chairman RICHARDS. Thank you, Mr. Rodes. I want to ask you one or two questions. What is your interest in this subject?

Colonel RODES. I have a business in Morocco and I know about 35 people, most of them veterans, who went out there, as I did, and started export and import businesses, encouraged by the United States. Many of them started with the veterans' preference that they had in buying export quotas. They worked like the devil for 2 or 3 years and got good businesses going, and then they had almost everything wiped out, entirely illegally, just by a stroke of the pen.

Chairman RICHARDS. When were you last in Morocco?

Colonel RODES. I was last in Morocco in March of 1949.

Chairman RICHARDS. Over 2 years.

Colonel RODES. That is correct.

Chairman RICHARDS. You have a business there?

Colonel RODES. It is on ice.

Chairman RICHARDS. What is the address of the business?

Colonel RODES. 2 Route de Bouscoura.

Chairman RICHARDS. Do you have any property or financial holdings there other than that business on ice?

Colonel RODES. No, sir, I have not except a beach house, and a Quonset hut that is set up on a lot there. It is fixed up as a residence that I can use if I wish. I also have some money that is owing me, and I have about \$20,000 in taxes and customs which the State Department told me to pay under protest which I did pay under protest. Until recently I have been promised periodically that I would get them back.

Chairman RICHARDS. I believe the last time you appeared here was last June?

Colonel RODES. Yes, sir.

Chairman RICHARDS. You represented the American Trade Association at that time.

Colonel RODES. Yes, sir.

Chairman RICHARDS. What has become of that organization?

Colonel RODES. The American Trade Association has been merged at my advice with the American Chamber of Commerce. At the time that the American Trade Association was formed, three different individuals who were not Americans had the charter of the American Chamber of Commerce, which a member of the United States Chamber of Commerce sewed up in such a way that it could not be used. That situation was arranged after I got over here, and the American Chamber of Commerce, a member of the United States Chamber of

Commerce, exists. There is now no longer any reason for the existence of the American Trade Association.

Chairman RICHARDS. What is the attitude of the American Chamber of Commerce in regard to your position?

Colonel RODES. The attitude of the American Chamber of Commerce is very much for me. As a matter of fact, they wrote a letter to the President protesting this whole matter, a letter to the President outling their views of what would constitute treaty compliance, that should be required by the Appropriations amendment. That more or less recommends the same lines of action that I proposed.

I would be glad to put that letter in the record.

Chairman RICHARDS. Do you want to introduce any evidence to the effect that the American Chamber of Commerce supports your position here?

Colonel RODES. I would like to send you that letter to be placed in the record, which shows that our position coincides.

Chairman RICHARDS. They do not endorse your position, do they?

Colonel RODES. It would be difficult to say whether they do or not. I have no direct mandate from the American Chamber of Commerce; I have from two different officers of the American Chamber of Commerce who were former officers of the American Trade Association.

Mr. VORYS. I think if the gentleman gets a letter it will speak for itself, rather than asking him to speak in advance as to what the letter would be.

Chairman RICHARDS. If you have a letter that supports your contention, we will be glad, without objection, to put it in the record.

Colonel RODES. Thank you, sir.

While we are at that, I would like to bring out this: That material has been circulated by the State Department to the effect that the American Chamber of Commerce did not support my position. In doing that they quoted from a letter of July 11, which someone in the Chamber of Commerce apparently was induced to write when they had representatives out there who were promising that they were going to get everything arranged. They promulgated that around the end of November. Meanwhile the Chamber of Commerce sent a strong letter to the President asking exactly what I had been asking, yet when the Department of State promulgated this material to the Senate and elsewhere, they had full knowledge of the existence of this other letter, and said nothing about it.

Mr. REECE. Is that the letter that you want sent up for the record?

Colonel RODES. Yes, sir.

Mr. VORYS. It seems to me that we ought to ask for a full explanation from the Department of State, and place it at this point in the record. I do not know whether we will have time to take oral testimony. I would be glad if it were agreeable to the Chairman to have Mr. Rodas see that material and give his comment on what the Department of State says.

Now, of course, I have felt each time that Mr. Rodas has asked the Congress—

Chairman RICHARDS. If we want evidence on that we ought to have the Department of State give its position.

Mr. VORYS. I was going to suggest that we have the Department of State submit its statement and put it in the record at this point

after his, and then permit Mr. Rodas to give an additional statement if he so desired.

Chairman RICHARDS. I will ask the clerk to get a statement from the Department of State on that, and Mr. Rodas has already been given permission by unanimous consent to insert his statement. The reason I asked that question, I knew that there was a certain statement to the effect that the United States Chamber of Commerce did not support your position.

Colonel RODAS. I am awfully glad you brought that up because that is one of the best pieces of evidence I know of of the State Department's lack of good faith in this matter. They promulgated that material and they knew of the existence of this letter, because a copy had been sent to them, but at the same time they made it appear that the Chamber of Commerce had the same attitude which it adopted when the Department sent people over there to promise them that they would arrange everything by negotiation.

Chairman RICHARDS. I do not want to prolong this thing; the American Trade Association, how many members has it? Where did this organization originate?

Colonel RODAS. The American Trade Association was formed of 37 members in Morocco.

Chairman RICHARDS. You formed it, did you not?

Colonel RODAS. I did not form it; no, sir. It was formed by a group that got together. I was more or less senior there, and they asked me to take the chairmanship which I consented to do.

Chairman RICHARDS. Let me ask you another thing. The American Legion came in there and they had 25 or 30 members?

Colonel RODAS. The American Legion had 40 members.

Chairman RICHARDS. And you were the prime mover in organizing the American Legion there?

Colonel RODAS. No, sir; I was a charter member.

Chairman RICHARDS. Were you an official?

Colonel RODAS. I was commander, but I was not there when it was organized, and I did not vote for myself, naturally.

Chairman RICHARDS. Are there any other questions?

Mr. VORYS. Do I understand this, Mr. Rodas, that a case has been brought in the International Court of Justice and do I understand by your statement that that is a phony case?

Colonel RODAS. Yes, sir; absolutely; and I think if you read the statement—

Mr. VORYS. I have just read your statement, and that is an extremely serious charge.

Colonel RODAS. Sir, I do not believe you can make too serious a charge about the way this thing was handled. If you started and traced this whole thing through, and if the chairman here would appoint a subcommittee and allow them to go through this for a total of about 30 or 40 hours, I think it would reveal more than you have ever dreamed could possibly exist. You had a reorganization here, and that reorganization gave the State Department five or six additional Secretaries of State. That reorganization stated that those Secretaries would each have complete jurisdiction in his own geographical area; that he might call on other members of the Department of State and other agencies for advice, but he never need get their concurrence. That was done and George McGee became Assistant

Secretary of State for African and Near Eastern Affairs. In spite of that, 3 months later, Willard Throp still maintained what they called action control over this.

Mr. VORYS. Please do not take our time by telling me about a departmental argument as to who is handling a particular matter in the State Department. I asked you about your charge here, that a case has been brought in the International Court of Justice, which you claim is substantially a fraudulent case. If it is, if that serious charge were true, I do not see how Congress could correct it by passing a law.

Colonel RODES. I do not think it is possible for them to correct that particular thing, but what they can do is this: they can determine the condition under which their funds will be expended. France is not trying to prove that she is complying with the treaties. What she is actually doing is bringing suit against the United States for economic aid. In other words, we decided that under certain conditions we would give France economic aid, and France said that those conditions should not be met. They are bringing suit in the International Court of Justice in effect to determine that—not to establish that they are complying with the treaties, which was the sole condition on which the aid was granted.

Mr. VORYS. But that sovereignty having been changed, the treaties are by these various acts changed; is that not correct? That is what your statement says.

Colonel RODES. They claim they have the Department of State's permission not to comply with the treaties and that permission should be valid, and that is why I would like—I do not want to repeat it, but the whole background is in the statement there.

Mr. REECE. When you get the report from the Department of State, it will complete the picture, more or less, I should think.

Chairman RICHARDS. Are there any other questions? If not, thank you, Mr. Rodés.

AMERICAN CHAMBER OF COMMERCE OF MOROCCO,
Casablanca, October 3, 1950.

The PRESIDENT,

The White House, Washington, D. C.

DEAR MR. PRESIDENT: Amendment No. 476 of the General Appropriation Act of 1951 reads:

"Provided further, That after November 1, 1950, no funds herein appropriated shall be made available to any nation of which a dependent area falls in the opinion of the President to comply with any treaty to which the United States and such dependent area are parties."

A letter from this chamber dated May 12, 1950, appears on page A4160 of the Congressional Record of May 24, 1950. It gives details of certain violations of United States treaties of which the Moroccan Government was guilty. Some of these still continue.

United States treaties with Morocco guarantees "economic liberty without inequality." They limit customs duties to 12 percent; prescribe impartial customs evaluations; restrict taxes; preclude monopolies with certain specified exceptions; and, above all, prohibit any restrictions on Moroccan import or export trade unless the restrictions apply identically to trade with all nations including France and Spain.

The import restrictions imposed by the edict of December 28, 1948, which was accepted by the Department of State, have affected Americans more than Frenchmen or any others.

French businessmen established in French Morocco before the war control the great part of exclusive representation of American marks, and are therefore for the large part able to obtain the lion's share of official dollars for their imports, while Americans, in business only since the last war, have an insignificant share in

the dollars available to Morocco for imports from the United States. Again, Frenchmen are at the same time representatives of French manufactured goods, which they can import payable in francs. Americans do not have any exclusive representation of French goods, or other non-American goods.

Since the application of the afore-mentioned edict, some American veteran businessmen in Morocco, who were earning a living importing with their own dollars, or with dollars obtained outside of Morocco payable locally, were obliged to relinquish their business and return home. Others remained here, but found themselves almost completely denuded of their business activities. Several of the latter who have made substantial investments locally, gradually see their life savings dwindling until eventually they, too, will have to return home without funds.

One spectacular problem created is that of personal automobiles. Americans have always been accustomed to drive comfortable American cars. Since the restriction of American automobiles into French Morocco in 1918, several Americans on returning from home last year brought in with them their personal automobiles purchased with their own dollars while on vacation in the United States. When they returned here with their cars, they were obliged by the customs to sign an agreement to ship out their personal car within a certain period of time. Tired from their long voyage they had no alternative but to sign such an agreement, knowing fully well that it would force them to ship out their car and be left without transportation, which was essential to carry on their business. The deadline arrived and Americans were obliged to get their cars out, which they did, some of them even paying a fine of approximately \$25 for keeping their cars after the date of agreement. Some of these Americans are now forced to drive two-by-four French cars, whether they like it or not. It is really humiliating to see an American who used to drive a Buick or a Cadillac crawl along in a small non-American automobile.

In recent discussions between the appropriate French officials at Rabat, the capital, and members of the American Legion, the latter were told that they might be authorized to bring in a personal car, provided they sign an agreement not to dispose of it before 2 years. The spirit in such a provision is not flattering to us American citizens, especially when our business reputation locally shows an irreproachable conduct.

In view of the foregoing, it is respectfully pointed out that Morocco is failing to comply with her treaties with the United States as long as she shall not—

- (1) End restrictions imposed on two-way trade with the United States which are not applied identically to trade with every other nation;
- (2) Compute and collect customs in complete conformity with the procedures and rates established by treaty;
- (3) Cease the requirement for 3 percent guaranty for the importation of tea;
- (4) Discontinue entry taxes and "cessions" in kind which are imposed in addition to customs;
- (5) Conclude arrangements for prompt reimbursement of taxes and customs collected in excess of those allowed by treaty and for just compensation for "cessions" in kind;
- (6) Cease all attempts to create or maintain monopolies in trade or transportation through cartels or otherwise, or to give a favored competitive position to any organization unless specifically permitted by treaty;
- (7) Permit American citizens residing and doing business in French Morocco to import anything they desire for personal or household use.

Request the Department of State's immediate intervention to permit American citizens to import personal automobiles payable in dollars from their accounts in the United States. This question is very pressing, as several Americans are handicapped in their business, for lack of personal transportation.

Our attitude is not anti-French, it is one of justice, cooperation, fairness, and the furtherance of American interests. This is the policy of the American Chamber of Commerce of Morocco, based on the policy of the United States Chamber of Commerce at Washington, D. C.

It is hoped that officials of your Staff charged with making a determination of fact in connection with Moroccan treaty compliance will agree that each of the six violations listed above should be eliminated as a condition of further assistance to France.

Respectfully yours,

Gus. G. STRATTON, *President.*

LEHARA SALES CORP.,
New York, N. Y., July 20, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Foreign Affairs Committee of the House of Representatives,
Washington, D. C.

DEAR MR. CHAIRMAN: We are informed by Col. Robert Rodes that you raised the question of whether the American Chamber of Commerce of Morocco is in sympathy with legislation to assure equality for American trade and citizens in Morocco, to force return of taxes and customs collected illegally from Americans, and to assure that future collections will be in keeping with the existing treaties.

Our representative in Morocco, Maj. W. R. Simone, is vice president of the chamber of commerce in question and keeps us reasonably well informed of what goes on in the chamber, in Moroccan circles, and American and consular circles. The writer visited Casablanca last year and became personally familiar with some of the problems and personalities confronting American business activities there.

The American Chamber of Commerce of Morocco has a membership of about 180 individuals. The majority are not United States citizens. Some are French nationals who have the agency for a single American product and depend entirely upon official allocations of foreign exchange for their business. Others are naturalized citizens who usually are timid about offending the American consulate. In view of this it is difficult for the chamber to take a firm and decisive stand on any issue.

Last spring we received a copy of a communication from the Department of State to the New York Commerce and Industry Association, of which we are members. This indicated that the Casablanca chamber was not entirely in sympathy with the legislative remedies which are advocated by Colonel Rodes. We communicated with Major Simone, who stated that the consulate had insinuated to the chamber that it pass a resolution discrediting Mr. Rodes and opposing the legislation, including that already on the statute books.

Recently we received a cable from our representative, Maj. W. R. Simone, advising us that a strong group in the chamber was 100 percent back of Colonel Rodes.

That is certainly our own position and that of Major Simone who, as we have stated, is the chamber's vice president. The last official expression from the chamber, to our knowledge, was to the President of the United States, in October 1950. It stated that it was in favor of full enforcement of legislation to force treaty compliance by withholding ECA funds from France. It confirmed the chamber's letter of May 12, 1950, which listed treaty violations and asked for legislation to end them. This letter expressed the opinion of the entire membership. It appears on page A4169 of the Congressional Record of May 21, 1950.

While the Department of State may prevent some persons from voicing their disgust with the Moroccan situation, any claim that even a few Americans are satisfied with it is not justified by the facts as we know them.

We would appreciate your informing your colleagues of the foregoing.

Very truly yours,

LEHARA SALES CORPORATION,
C. F. MOULTON, Vice President.

The committee stands adjourned until 10 o'clock tomorrow morning.

(At 11:15 p. m. a recess was taken until Thursday, July 19, 1951, at 10 a. m.)

STATEMENT SUBMITTED BY THE DEPARTMENT OF STATE ON INTERNATIONAL COURT OF JUSTICE, RIGHTS OF NATIONALS OF THE UNITED STATES IN MOROCCO (FRANCE/UNITED STATES)

Mr. Rodes charges that the suit instituted by the French Government against the United States in the International Court of Justice was a maneuver instigated by the Department of State for the purpose of evading the intent of Congress, as expressed in the Hickenlooper amendment. Mr. Rodes accuses the Department of State of "double dealing" and states that the suit is a "phony."

The extent and validity of United States treaty rights in Morocco have long been a subject of dispute between the two Governments. Between World Wars I and II differences over the interpretation of these rights were frequent, particularly those rights pertaining to freedom of trade. Following World War II, and

prior to the enactment of the Hickenlooper amendment, the French Government repeatedly proposed that the question of United States treaty rights in Morocco be submitted to the International Court of Justice. Such proposals were made in June 1949 and July 1949, and in December 1949 the French Government went so far as to communicate to this Government the text of an application (substantially identical to the one actually presented to the Court in October 1950) which it had instructed its Ambassador at The Hague to file with the Court.

The Department of State was reluctant to resort to litigation to resolve the basic dispute as long as it was possible to reach a satisfactory working agreement through negotiation between the two Governments. Extraordinary world economic conditions and the enactment of the European recovery program required that the United States consent to forgo temporarily the enforcement to the letter of its rights asserted under the treaties. In return for this the United States insisted upon and obtained from the French in December 1949 an agreement containing specific measures to protect the business interests of Americans in Morocco under the exceptional circumstances of the postwar period.

After the enactment of the Hickenlooper amendment in 1950, however, the Department of State was no longer in a position to oppose submission of the dispute to the International Court of Justice, since the amendment prevented this Government from continuing beyond November 1, 1950, the agreement reached in December 1949, and indeed prevented it from settling by negotiation any further questions which might arise. Moreover, it would have inflicted a severe penalty on France without giving that country an opportunity to obtain an impartial judgment on the basic legal questions which it had long sought. The United States has traditionally upheld arbitration as the proper means of settlement of disputes. The Department of State, therefore, had no recourse but to agree to the Court action.

Mr. Rhodes also states that he doubts whether the Department of State will make an effective effort to protect United States interests in this case. This allegation is unfounded. The Department is now prosecuting the case to the best of its ability and will continue to do so. In the interests of presenting the strongest possible case, the Department has invited interested Americans (including Mr. Rhodes) to assist the Department in preparing the United States brief.

The Court, on November 22, 1950, fixed the time limits for the written proceedings as follows: for the memorial of the French Government, March 1, 1951; for the countermemorial of the United States, July 1, 1951; for the reply of the French Government, September 1, 1951; and for the rejoinder of the United States, November 1, 1951. The French Government filed its memorial as required. The Department of State found, however, that the French Government had failed to identify properly in its pleadings the parties on whose behalf the proceedings were brought. Since the interests of Morocco and France were both involved in the case, the United States wished both countries as well as the United States to be parties to the case and to be bound by the Court's judgment. The Department of State tried to obtain clarification of this matter from the French Government, but was unsuccessful. The United States, therefore, on June 21 filed a preliminary objection asking the Court to rule on the identity of the party or parties which had instituted the proceedings and would be bound by the judgment of the Court. The time schedule will be readjusted after the Court has ruled on this matter. Pending a decision by the Court on this preliminary objection, however, the United States has reserved all its rights and interests in the case.

STATEMENT BY ROBERT E. RODES IN REPLY TO STATE DEPARTMENT STATEMENT ON UNITED STATES/FRANCE CASE BEFORE THE HAGUE

Prior to 1947 French attempts against United States treaties in Morocco did not allege differences in interpretation. They were flagrant infringements, usually in the nature of probing actions attempted each time we changed consuls. They were abandoned each time the United States reminded France that our conditional recognition of their protectorate fully preserved our treaty status, with the implication that the recognition, if misunderstood, could be withdrawn.

The first suggestion by France that the matter be taken to The Hague followed our show of weakness when Secretary Acheson, in Paris early in June 1949, abandoned the Moroccan compromise arrangement which his officials, in March 1949, had promised to obtain (p. 555, Committee on Foreign Affairs hearings on H. R. 7378).

France abandoned litigation attempts when the United States pointed out that the Sultan of Morocco would have to be party to any suit involving the Multilateral Act (Treaty) of Algieras and that only the Sultan could institute a suit arising from the United States-Morocco Treaty of 1836. Legally the Sultan rules Morocco and French acts of usurpation would hardly be recognized in the International Court of Justice. The Sultan has always respected his treaties to the maximum extent permitted by the French. Moroccans insist that he opposes this present suit.

The proposed litigation involved only Americans' immunity from Moroccan laws until such laws are reviewed by the United States. This heretofore well recognized immunity is of unquestioned legality as long as France, Spain, and Britain retain similar privileges. However, it has no bearing on specific treaty terms which prohibit monopolies, fix taxes and customs, and guarantee the "open door" and identical treatment for United States and French citizens and trade. France now refuses to honor any of these terms.

The continuing validity of these terms has been stated unequivocally for publication by the Governor General of Morocco (Alphonse Juin), by the presidents of both the French and the Moroccan Chambers of Commerce of Casablanca, by France in a report to the United Nations, and by the United Nations, itself. On October 4, 1949, Assistant Secretary of State Willard Thorp stated, under oath, "This treaty (of 1836) is still in force." The terms of both United States-Morocco treaties are lawfully observed in the International (Tangier) zone of Morocco where the international governing body has no trouble in interpreting them.

The treaty violations include most of the anti-American measures which France has attempted and the United States has blocked over the past 30 years. It is absurd to connect such practices with present "extraordinary world economic conditions." Proponents of regimentation in the Department of State claim that one measure, import embargoes, helps Morocco's dollar balance. Statistics refute this. Morocco's dollar position was greatly improved with the ending of wartime restrictions in March 1948. The embargoes began in January 1949 and the retrogression, which everyone familiar with the situation had predicted, took place. See below:

Four years of Morocco's dollar trade, 1947 to 1950

[Figures are millions of dollars. Percentages are percent of Morocco's total exports and imports]

	1947		1948		1949		1950	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Dollar imports:								
From United States.....	55.3	19.9	34.2	13.0	35.7	12.1	26.8	8.2
Other.....	10.4	3.8	16.6	3.8	19.7	6.6	30.6	9.3
Total.....	65.7	23.7	50.8	16.8	55.4	18.7	57.4	17.5
Dollar exports.....	8.5	3.6	7.7	5.2	4.0	2.6	4.0	2.1
Dollar deficit.....	60.2	.....	43.1	.....	51.4	.....	53.4	.....

The Department refuses comment on restrictions which permit unlimited dollar purchases of luxuries including radios, cigars, the world's finest tea. Red China furnished \$10,730,000 of the 1950 imports, an increase of \$5 million over 1949. Necessities including DDT, textiles and used clothing are banned because Americans sold them. The real result of the 1949 restrictions has been that which the French always intended—to divert all Moroccan dollars and all Moroccan exports into channels from which Frenchmen profit.

The "specific measures" of the December 1949 agreement which the State Department "insisted upon" in return for abrogating our treaties were dictated by France. The slight advantages which they gave Americans on paper, were nullified by French administrative tactics. (See Department's statement in my testimony.)

The 1949 agreement specifically preserved Americans' right to trial before our own courts, their obvious right under equal treatment since Frenchmen are tried only in French courts. The agreement for litigation required France to maintain the status quo in all respects until the International Court renders its de-

cision. Shortly after the court action was instituted, France began to hail sailors and civilians from our Navy base before French courts.

Charges attributed to me in the State Department's first paragraph are substantiated by statements in its fourth paragraph. The appropriation restriction, if observed, would stop treaty violations. If, as is claimed, it prevented continuance of the agreement of December 1949, that is only because the agreement permitted violations. The charge of evading the intent of Congress is admitted, but justified by the Department's opinion that the penalty prescribed by Congress was too severe. A letter to the Secretary of State from a Senator who usually supports administration foreign policy, analyzes this action more ably than I can. It is attached.

The Department's high principles seem to apply only when they aid foreigners. If litigation is a "proper means" of settling this dispute it should have been adopted in 1948 when the Department found that French taxes and customs in Morocco were "illegal," "unjust," "arbitrary," and "discriminatory," but was unable either to stop them or to obtain refunds which it had promised to exact.

The claim of compulsory jurisdiction has no basis in fact. (See letter to Senator George in my testimony.) The present attempt to spell out a moral obligation seems intended to divert attention from the unfounded claim of legal obligation with which Department sought to mislead the public and the Congress for 6 months.

The charge that the case is not vigorously and expeditiously handled does not reflect on the Department's Legal Division, who are not allowed unhampered exercise of their profession. There is strong evidence that the attorneys will not make all available legal arguments, that such arguments must be subordinated to political considerations and that European Division personnel must be consulted so that our defense will not conflict with their policy toward France.

The invitation to assist in preparing the brief was made 8 days before the brief originally was due. It requests small firms to participate with RCA, America Cable & Radio and others in engaging common counsel. These firms have widespread operations depending on agreements with the French communications monopoly. Last fall I requested that I and my counsel be permitted to see the French brief and suggest points which the answer should cover. This was denied because the French insist that the briefs be kept secret.

The remarks about clarification of the point as to whether or not France represents the Sultan of Morocco in the Court, supports my contention that the case is not effectively defended. I pointed out in a letter dated November 3, 1950, that France lacks authority to sue in the Sultan's name and that Morocco is not a member of the Court. Shortly afterward I called on the Department's legal director and suggested, among other things, that a motion to quash be filed on the grounds that the Sultan had not signed as plaintiff. This was refused.

The result is additional delay with continued unauthorized aid to France. It would seem to be intentional and entirely consistent with the Department's policy in this matter. The way to determine whether or not Morocco is suing us is to move to quash, not to exchange conversations and notes with the plaintiff.

I also suggested a motion for summary judgment which I believe would be amply justified. This was likewise refused.

The Court time schedule on the Morocco matter could have been as short as on the Iranian oil case if the Department had wanted justice, rather than an excuse to give France a half billion dollars on terms other than those on which it was appropriated. The Department knows that the suit, even if the French are successful, cannot establish the full treaty compliance which alone would justify continued aid. Subsequent to the suit (January 26, 1951) a letter signed for Secretary Acheson by Assistant Secretary McFall admitted: "Some of the details of the provisions of the Act of Algieras are not being followed."

My communications to the Department and my statements about this matter have been made, to the best of my ability, specific, concrete and factual, and have been documented. The Department's replies and rebuttals, almost without exception, have been vaguely general, evasive, and have lacked supporting data. The Department gives every evidence of having determined to pursue a certain course of action regardless of law, justice or facts. An exchange of correspondence with the Department's legal adviser, attached, is illustrative of this situation.

A sheet giving five excerpts of State Department reports on its handling, past and present, of the Moroccan situation is attached. It gives a clear idea of why most normal Americans who must rely on the Department of State have lost all respect for it.

JANUARY 3, 1951.

Hon. DEAN ACHESON,
*The Secretary of State,
Department of State, Washington, D. C.*

DEAR MR. SECRETARY: I have long been concerned about French Morocco's refusal to abide by treaties which assure American trade and enterprise "economic liberty without any inequality" and which fix rates and procedures for taxes and customs. However, I refrained during 1949 from voting for sanctions to end this situation, believing that your Department would adjust the matter satisfactorily by negotiation. When this was not done, I supported, and the Senate approved, an amendment to the Economic Cooperation Administration Act which would have withheld "counterpart funds" from France so long as the treaty violations continue and which stated that treaties would remain in force unless altered by constitutional treaty-making authority. When your Department and the ECA Administrator insisted that this amendment was unnecessary, the Connally amendment which left full discretion with your Department was adopted in conference and became law.

My letter of June 12, 1950, stated certain acts of treaty compliance which it seems reasonable that your Department should obtain authority of the Connally amendment. Mr. McFall's answer of June 23, 1950, made it clear that your Department had decided to tolerate all of the abuses I mentioned. Mr. Hurnel's memorandum to the Appropriations Committee confirmed this decision and intimated that your Department's own agreements had modified the Moroccan treaties.

Since it was apparent that no action could be expected under the Connally amendment, I joined a preponderant majority of the Senate in voting in effect to cut off aid to France if Moroccan treaty violations continue. Even the majority leader, opposing the proviso, agreed that your Department's claim that other acts had modified the treaties, could not be accepted. The final law was aimed at those acts which "in the opinion of the President" were treaty violations.

I now learn that France is suing the United States at The Hague on the grounds, to use your Department's summary, "that the United States' treaty position in Morocco is anachronistic, that certain of our treaty rights have ceased to exist, or have been superseded by later agreements or policies." I also learn that your Department has agreed that aid to France and the Moroccan treaty violations both will continue until the Court renders its decision.

The appropriation amendment was clearly intended to give France her option of making Morocco comply with our treaties or of foregoing our economic aid. It is also evident that the intended criterion is the wording of the treaties themselves and that this was adopted after full consideration of your Department's reasons for wishing to substitute other criteria.

I do not intend at this time to explore the factual, legal and constitutional questions arising out of this suit, although I would appreciate your detailed remarks on the objections to your action filed by the American Trade Association of Morocco on November 3, 1950. However, I do believe that the suit should not nullify the legislation by continuing aid while treaty violations admitted by your Department continue.

I would appreciate very much your present opinion on the Moroccan treaty and trade situation.

Sincerely yours,

United States Senator.

NEW YORK 23, N. Y., November 3, 1950.

ADRIAN FISHER, Esq.,
*Legal Adviser, Department of State,
Washington, D. C.*

DEAR MR. FISHER: I have examined the Department's memorandum of October 27, 1950, which states that France has asked the International Court of Justice to invalidate certain terms of treaties between the United States and Morocco; that the United States has agreed to abide by the Court's decision and that meanwhile, the President will withhold opinion as to whether Morocco is complying with the treaties in question and, presumably, will permit continuation of payments to France which current legislation makes contingent upon Morocco's treaty compliance.

This memorandum raises policy questions which will be brought to the attention of appropriate authority. You are requested to consider several legal questions, any one of which would seem to justify reversal of the above decision.

BASIS OF DISPUTE

Treaty compliance would mean that Americans in Morocco could trade with the United States on a footing identical with that of citizens of any other country in trading between Morocco and their homelands; that customs and taxes would be assessed and collected as required by the Act of Algieras and that overcharges resulting from failures to comply with the act would be reimbursed; that Americans would be assured the liberty which our treaties guarantee of free competition in any Moroccan business, specifically including the right to compete with any monopoly or cartel established in contravention of treaty terms.

FRENCH HAVE NOT ESTABLISHED A PRIMA FACIE CASE

While the Department of State has held, for various reasons, that some of these measures should not be enforced, it has admitted that treaty compliance would require them. Its memorandum to the Senate Appropriations Committee stated: "The United States enjoys certain rights in Morocco including . . . most-favored-nation treatment for United States commerce and economic liberty without any inequality," and stated further: "The treaty of 1836 requires equality of treatment to trade between Morocco and both France and the United States."

French officials often have made similar statements. The following excerpt from France's 1949 report to the United Nations is found on page 118, volume II, United Nations Report on Non-Self-Governing Territories, Lake Success, 1950: "The customs status of Morocco is based on the following principles: Freedom of trade, and equal treatment among all countries (the Act of Algieras), customs unity within the entire Sherifian Empire and uniform customs tariffs for all nations; however, the duty on imports cannot exceed 10 percent ad valorem." (Statistical and other charges amounting to an additional 2½ percent are not included.)

On October 31, 1950, France in declining to give Morocco more independence stated: "Any reconsideration of the treaty of Fez (establishing the protectorate) would automatically involve the Algerias Powers, including Russia, which settled the first Morocco crisis in 1906." If the powers which relinquished their Algerias rights in exchange for France's obligations under the protectorate can insist that the latter remain unchanged, it seems clear that our rights, which were retained when we conditionally recognized the protectorate, remain as they were established at Algieras.

A dispatch on the subject of the French court action, by Michael Clark to the New York Times under Paris dateline October 13, 1950, ends: "There has been talk in French circles of taking the dispute to the International Court of Justice at The Hague, although the French are afraid that little can be expected to come of such a move."

This suit is a flimsy pretext for continuance of both aid and treaty violations in spite of legislation clearly intended to end either one or the other.

FRANCE IS NOT QUALIFIED TO SUE

The United States official conception of Morocco's status was stated under oath by Assistant Secretary Willard Thorp: "Morocco is a sovereign nation under the rule of a Sultan." This was confirmed by France when Morocco was excluded from the Atlantic Pact although Algeria, less important strategically, was included. It follows then that since the appropriations restriction involves only United States-Moroccan treaties and not treaties or other agreements with France, only Morocco can sue regarding them. Since Morocco is a nonmember nation, she can become party to the Court statute only with the approval of the United Nations General Assembly and of the Security Council. Even then, the United States should determine whether the action is really that of the treaty power, namely the Sovereign of Morocco, or is unauthorized action by French personnel legally under his jurisdiction.

In view of the fact that the entire French case stems from the forcing of free convertibility of Moroccan and French exchange, in an illegal fiat over the Sultan's disapproval, and since all Moroccans desire the "open door" which our treaties guarantee, it seems almost certain that the action would be unauthorized.

FRANCE AND MOROCCO HAVE NO CAUSE OF ACTION

If there is an aggrieved party, it is the United States. Neither France nor Morocco has any cause of action. The treaty violations which give France and her nationals economic preference in Morocco are continuing. Even if Morocco favored these measures she would have no complaint for they are in full force. The French official despatch admits that France is having her own way in enforcing regulations protested by the United States and that it is only the Hickenlooper amendment which has made the suit necessary. France's only grievance is that the United States has placed certain conditions on the continuance of Franco's ECA funds. An action based on this claim is absurd.

FRANCE OFFERS NO DEFENSE EITHER LEGAL OR EQUITABLE AGAINST CERTAIN OF THE COMPLAINTS MADE BY AMERICANS

The only complaints by Americans which France has disputed, on any basis, are those directed against Moroccan "consumption taxes" and import embargoes. She challenges the United States' heretofore admitted right to approve or disapprove such measures insofar as they affect American interests. This is beside the point. The taxes are levied on United States necessities while French luxuries are exempted. The embargoes exclude United States products while similar products from France and other nations are admitted. Approved or disapproved, these measures contravene treaty terms limiting taxes and assuring equal treatment and an "open door" for our commerce.

France does not attempt to defend her illegal customs assessment methods nor her illegal monopolies. Both of these practices have been condemned as not only illegal but arbitrary by well-qualified Moroccan and French opinion. The French admission to the United Nations that the Act of Algiers requires "customs unity within the entire Sherifian Empire" and her claim that this is in effect, makes it impossible to defend the special customs barriers and practices actually instituted unilaterally in the French zone.

THE COURT ACTION HAS NO BEARING ON THE APPROPRIATIONS LEGISLATION

The Department's memorandum accurately summarizes the French position as follows: "The French Government maintains that the United States treaty position in Morocco is anachronistic, that certain of our treaty rights have ceased to exist or have been superseded by later agreements and practices."

An identical contention was advanced by the Department in attempting to persuade Congress to defeat the restriction which it enacted. The Department's memorandum on page 258 of the Senate hearings on ECA reads in part: "It is noted that some of the complaints they (Americans) have made appear to be based on the original treaty position rather than on the failure of the French to live up to their agreement with the United States. It is apparent that misunderstandings have developed between the United States and France over our treaty position and the French appear to believe that we are clinging to outmoded rights."

This French point of view, that other arrangements might alter the treaties, was considered and discarded when the legislation was debated. Page 11513 of the Congressional Record for July 31, 1950, shows that Senator Lucas, when asked whether "even the ECA Act can set aside a treaty . . . ratified by the Senate of the United States," answered: "No. I do not agree at all that a law can set aside a treaty." He urged, nevertheless, defeat of the legislation "regardless of any technicalities which might be raised with respect to whether a treaty has been violated or has not been violated." Passage of the legislation after consideration of this proposal makes it obvious that Congress intended aid to be cut off unless Moroccan treaties are honored.

The equity and basic merit of the French contentions also was reviewed in detail before the legislation was passed. The lengthy attempted justification of the French position appended to the Department's memorandum of October 27, 1950, is identical with the material appearing on pages 258-263 of the committee's hearings report. An answer, circulated to Congress, is attached hereto.

The French make no claim that Morocco is complying with the treaties in question. They merely seek to have the Court declare that for various reasons the treaties should not be enforced. Even if the Court should make such a decision, it would not justify continued aid to France, which, after due consideration, Congress has made conditional upon treaty compliance.

TO SUMMARIZE

The Department's own findings, official French statements and France's pleadings all indicate a case which is far too flimsy to constitute even a pretext for delay in application of the legislative restriction.

France is not qualified to bring, in her own name, an action relative to United States-Moroccan treaties. If the action is brought in Morocco's name, the sultan's authorization is necessary and United Nations approval seems to be required.

Neither France nor Morocco has a cause of action as neither is prevented from continuing treaty violations. The action is, in reality, one to continue ECA grants to France without fulfillment of a condition on which the funds are authorized.

Certain of Morocco's admitted treaty violations are neither denied nor defended in France's action.

Even if France's action to invalidate the treaties should be entertained and should succeed, it will not establish the treaty compliance by Morocco which alone justifies continued aid to France.

I hope that you will carefully consider the foregoing and will change the Department's recommendation to the President accordingly.

Yours sincerely,

ROBERT EMMET RODES,
President, American Trade Association of Morocco.

DEPARTMENT OF STATE,
Washington, December 19, 1950.

MR. ROBERT EMMET RODES,
*President, American Trade Association of Morocco,
New York, N. Y.*

MY DEAR MR. RODES: The receipt is acknowledged of your letter dated November 3, 1950, dealing with the action to be taken as a result of the French submission of the Moroccan Treaty question to the International Court of Justice.

As you have requested, I have given careful consideration to the arguments presented in your letter and its attachments. It appears to me that all the points raised in your letter will properly be before the International Court of Justice when it considers the case. Even though we may not agree with the French contentions, it would hardly be appropriate for the President of the United States to take action based on a unilateral opinion on these matters while they are pending before the Court. The President has expressed agreement with this conclusion, and I do not feel that I could conscientiously recommend a different course of action.

Sincerely yours,

ADRIAN S. FISHER,
The Legal Adviser.

QUOTATIONS ARE FROM STATE DEPARTMENT RECORDS AND CORRESPONDENCE

State Department, 1929—Secretary of State to U. S. Ambassador in Paris (United States Foreign Relations, 1929, vol. III, p. 491): "The Department * * * commends your efforts to expedite action in the several matters concerning Morocco * * *. An increasing tendency of the Protectorate authorities to disregard the regime of the Open Door and to encroach upon American rights generally has been observed by the Department and apparently, if the protests which this Government has found it necessary to make to the French Government from time to time are not to be regarded as merely perfunctory by the latter, such action as that reported in the despatch under reference will occasionally be necessary."

State Department, 1948—Casablanca Consul-General to American Trade Association in Casablanca, letter of July 16, 1948: "These problems have not only been under continued study, but most of them, notably the questions of import duties, import licenses, and discrimination against American business interests, have given rise to representations to the Protectorate authorities by this office and the American Legation in Tangier, the result of which has been a partial, if not complete, improvement of the situation."

State Department 1949—Casablanca Consul-General to American Trade Association in Casablanca, letter of February 7, 1949: "Actions of the Protectorate Government which infringe upon American treaty rights, or which discriminate against Americans, have been protested, in some cases repeatedly, by this office. Needless to say, all such matters are reported to the Department of State, and when consular protests prove to be of no avail, requests are made for further instructions. The Consulate General * * * would be exceeding its own competence to make conjectures of what the results * * * will be."

Secretary of State to Senators and Members of Congress concerning the Department's public bearing on French restrictions and embargoes on American trade, letter of November 17, 1949: "You will observe that the comments of the businessmen frequently extended beyond the indicated scope of the meeting, and included statements (1) that the United States is not now fully enforcing its treaty right; (2) that certain merchandise for which there is a popular demand may not be imported; (3) that no proposals were made with respect to American investments; (4) that Americans have been subject to discrimination in the administration of the import controls."

State Department, 1950—Report to Senate Appropriations Committee, June 5, 1950: "The Department has made and is continuing to make every effort to improve the situation. As a result of recent United States representations made in Paris, it is understood that steps are being taken to create a more favorable atmosphere."

(The following was submitted for the record by the Department of State:)

MATERIAL SUBMITTED BY THE STATE DEPARTMENT ON THE MOROCCAN TRADE CONTROLS PROBLEM

1. Copy of a Background Memorandum issued by the Department of State on November 28, 1950.

2. Copy of a letter from the American Chamber of Commerce of Morocco to the American Consulate General, Casablanca, Morocco, dated July 12, 1950.

3. Copy of a letter from the American Chamber of Commerce of Morocco to the President, dated October 3, 1950.

4. Excerpt from the 1950 Annual Report of the American Chamber of Commerce of Morocco.

BACKGROUND MEMORANDUM

Morocco is divided into three zones, all of which are under sovereignty of the Sultan: (1) the International Zone of Tangier which is governed by an international administration in which the United States participates; (2) the Spanish Protectorate; and (3) the French Protectorate.

The French Protectorate, to which the United States has given recognition, was established under a treaty of 1912. United States treaty rights in French Morocco are based on a treaty of 1836 between Morocco and the United States, the Madrid Convention of 1880, and the General Act of Algiers of 1906. Under these international agreements, the United States claims certain treaty rights in Morocco including the right of extraterritorial jurisdiction, most-favored-nation treatment for United States commerce and "economic liberty without any inequality." The right to freedom in matters of commerce is subject to an exception as regards the importation of a few specified products. Morocco is the only country in the world where the United States still exercises extraterritorial jurisdiction and maintains its own consular courts. Moreover, the United States is the only country that continues to exercise such rights in French Morocco.

Because of our treaty rights, and based on custom and usage, it has been customary for the French Protectorate Government of Morocco to obtain this Government's assent before considering local laws or decrees as being applicable to American ressortissants (American citizens and persons entitled to the protection of the United States Government).

In 1939, the French Protectorate Government, in line with similar measures taken in France at the outbreak of war, instituted through various decrees a system of exchange and import controls in French Morocco. These laws had the effect of subjecting foreign exchange transactions to the control of the Protectorate Government and of requiring on import license for all imports save those from France and Algeria. At that time, this Government reserved its position with respect to those controls and withheld its assent to their application to American ressortissants. In 1944, however, we assented to the application of exchange

controls to American ressortissants. This did not cover import controls. The withholding of our assent to import controls permitted Americans who established themselves in the import and export business in Morocco following the end of World War II to import more or less freely from the United States provided they did not ask the French Protectorate for an official allocation of exchange to pay for such imports. During the period from March through December 1948, uncontrolled imports of most commodities were permitted for persons of all nationalities. The French alleged that the dollars to finance these imports were being obtained illegally in Tangier and on the black market and that these transactions exerted pressure on the value of the franc by causing dollars to move out of the hands of the French exchange control system and into Tangier and the black market.

The French Protectorate Government, therefore, promulgated a decree on December 30, 1948, which had the effect of limiting imports without an official allocation of exchange to a list of essential items (they now total 20) and subjected imports of these items to the requirement of an import license. The import controls in question apply to persons of all nationalities in Morocco and to imports from all monetary zones with the exception of imports from the franc area. French Protectorate authorities began immediately to apply this decree to American ressortissants without the assent of this Government and detained in the customs merchandise consigned to American importers.

However, it should be pointed out that these controls were put into effect in conformance with France's commitment under the European Recovery Program. The Government of France, specifically acting on behalf of the French zone of Morocco and other areas in the franc zone for which it has assumed international responsibility, agreed in signing its bilateral agreement with the United States pursuant to the Economic Cooperation Act, as required by Congress in subsection 115 (b) (2) to take:

"Financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable and generally restore or maintain confidence in its monetary system."

Accordingly, this Government recognized the temporary necessity for these import and exchange controls while at the same time recognizing that American businessmen in Morocco had legitimate grievances against French Protectorate officials. These included certain discriminatory practices in the administration of import controls, the arbitrary valuation of imports for customs purposes, the detention of merchandise in the customs and the collection of certain consumption taxes to which this Government had not given its assent.

The problem was, therefore, discussed with French officials early in 1949, and on the basis of proposals which partially met our requests (including the release of merchandise then held in the customs), temporary assent was given to the decree of December 30, 1948, on June 10, 1949, for a period of 3 months, subject to further negotiations. Temporary assent was successively extended to December 31, 1949, during which time negotiations continued both in Morocco and with the highest French officials in Paris. On December 31, 1949, this Government gave its assent to the application of import controls to American ressortissants for an indefinite period on the basis of agreements which had been reached on that date regarding the application of the controls to Americans.

The United States Government's note of December 31, 1949, to the French Resident General giving this assent stated that the controls were considered necessary because of exceptional economic conditions and that the assent could be withdrawn on 30 days' notice. In addition, such assent was given with the statement that United States treaty rights, including the jurisdiction of our consular courts, were fully reserved.

Throughout the negotiations which led to the giving of this assent, it was the consistent endeavor of the Department of State to obtain the best possible arrangements for American importers in Morocco and to protect American interests. The agreements reached with the French include the following provisions which were designed for the benefit of American importers:

1. The addition of 11 items to the list of goods which may be imported more or less freely when no official allocation of foreign exchange is requested of the Protectorate Government. This brings to 20 the number of items which may be imported by Americans without an official allocation of exchange. (A list of these items is enclosed for your information.)

2. The establishment of a bidding procedure for all products susceptible of such a system and for which the Protectorate Government grants official allocations of foreign exchange. This provision is designed to permit Americans to participate in the controlled imports program of French Morocco on a competitive basis.

3. The establishment of specific quotas for importers not previously in business on certain other goods included in the official imports program.

4. The use of a uniform basis of valuation of imported goods for customs purposes, and, under certain conditions, the issuance of import licenses for certain categories of maintenance goods, not for resale.

5. Agreement was also reached on the establishment of a joint consultative mechanism to settle complaints made by Americans regarding the administration of the import controls and the operation of the December 31 agreement. This Government is represented on this group by the American consul at Rabat who is assisted by two of our vice consuls, one from Rabat and one from Casablanca, who act as technical advisers to the consul. The French Protectorate Government is represented by the diplomatic counselor and three other French Protectorate officials who act as his technical advisers. The group meets on an ad hoc basis, and at the request of our consul at Rabat, on an average of about once every 2 weeks for the purpose of discussing and settling complaints brought to the attention of our officials by American businessmen.

The consultative group has been effective in protecting Americans in Morocco from discriminatory practices and in settling complaints brought to its attention by American importers. Further, in June of this year, this Government sent a group, consisting of two representatives from the State Department and a representative each from the Department of Commerce and the Economic Cooperation Administration, to Morocco for the purpose of investigating the situation of American businessmen in the French Protectorate. This group met with our officials in Casablanca, Rabat, and Tangier and also met with representative American businessmen in Casablanca. This group found that many of the Americans favored working within the present agreement with the French on import controls but desired a further expansion of the free list; and that representations made to Congress by certain individuals were somewhat exaggerated. In this connection, the following excerpt from a letter dated July 12, 1950, from the American Chamber of Commerce in Morocco to the American Consulate General, Casablanca, explaining the views of that organization on this subject is quoted:

"During recent chamber meeting the entire membership was unanimous that some modification of the present import restrictions is both desirable and necessary. Whereas some members expressed a desire for a complete liberty of imports, the majority, convinced that a total liberty of imports is not feasible at present, they seem to agree that the inclusion on the list of additional goods and wares represented by them would be acceptable until such time that exchange conditions would permit free and unhampered trade."

Furthermore, some of the Americans in Morocco, who have been in business there since before the war, have made it clear that they have been able to carry on their activities successfully and are not entirely in sympathy with the views expressed by those advocating legislative remedies in Congress.

ITEMS ON FRENCH MOROCCAN "FREE" IMPORT LIST

The following items were included in the original list of goods to be imported without an allocation of official foreign exchange, published in January 1949:

- Milk, sugared or unsugared, concentrated or powdered.
- Sugar and molasses
- Coffee, green or roasted
- Green tea
- Capital equipment and spare parts
- Cement
- Ferrous and nonferrous metals
- Heavy-duty tires
- Lubricants

The following items were added to the list on December 31, 1949, as a result of our negotiations with the French:

- Raw jute fiber
- Raw cotton fiber
- Manufactured tobacco
- Certain pharmaceutical products: antibiotic, radio-active and antimalarial products in quantities authorized by the central pharmaceutical service in accordance with the need for each product
- Raw materials for soft drinks

Radio sets, including spare parts and tubes
 Passenger car tires of special sizes
 Station wagons, not to exceed in value \$2,250 factory list price
 Jeeps (all classes) and similar four-wheel drive vehicles
 Sewing machines (all kinds) including needles and spare parts
 Steel tubes and joints

JULY 12, 1950.

AMERICAN CONSULATE GENERAL,
Place de la Fraternité, Casablanca.

SIRS: In accordance with our discussions on Tuesday, June 28, and Sunday, July 3, on the extension of the list of articles provided by the edict of December 28, 1948, and subsequent provisions, there is enclosed a list of articles of American manufacture represented by members of the chamber, which the membership is desirous of having added to the list of free imports. There are hundreds of other American-manufactured goods represented by our members, some of which are presently on the free list, while others are totally excluded. The exclusion of the bulk of articles handled by our members causes irreparable business losses.

During recent chamber meetings the entire membership was unanimous that some modification of the present import restrictions is both desirable and necessary. Whereas some members expressed a desire for a complete liberty of imports, the majority, convinced that a total liberty of imports is not feasible at present, they seem to agree that the inclusion on the list of additional goods and wares represented by them would be acceptable until such time that exchange conditions would permit free and unhampered trade.

It will be noticed on the attached list that such articles as automobiles, household refrigerators, nylon stockings, whisky, and other items do not fall under the category of essential goods. The word essential can be interpreted in several ways, and consequently it is not our purpose here to discuss. However, such goods as whisky and American nylons whose importation into French Morocco is presently forbidden, enter in contraband and find their way behind the counters of stores in Casablanca, where they are sold at 30 to 40 percent higher than the current retail price prevailing in countries where no import controls exist. Therefore there appears no reason why such articles should not be imported by our membership.

The edict of December 1948 was accepted by the State Department in order to bring about an improvement in the French economy and stabilize the franc. From all indications France has recovered considerably in the past few years. If this apparent recovery is true, there is less need at present for a restriction of imports for French Morocco than there was at the time when the restrictions were put into effect.

The Chamber of Commerce of Morocco was organized for the purpose of promoting trade between the United States and French Morocco by bringing in contact American and French importers with United States manufacturers and export firms. In order to achieve our purpose we will need to request or influence legislation in the protectorate government that will permit American-manufactured goods to flow in and compete on an equal basis with European manufactures. It is therefore suggested that in future conversations with the French Government our officials think in terms of American interests, both there and at home, rather than on altruistic lines. It is further suggested that in future conversations the Mixed Commission include two members of the American Chamber of Commerce, one American and one Frenchman, the latter an exclusive agent of American firms.

Respectfully yours,

GUS G. STRATTON, *President.*

American automobiles
 American textiles
 American whisky
 American nylon stockings
 American pens and pencils
 American insecticides
 American household refrigerators

American all type of tools and machinery
 American paints
 American chemical products
 American paper articles
 American used clothing
 American electric stoves

Submitted by the American Chamber of Commerce of Morocco.

AMERICAN CHAMBER OF COMMERCE OF MOROCCO,
October 3, 1950.

The President,

The White House, Washington, D. C.

DEAR MR. PRESIDENT: Amendment No. 476 of the General Appropriation Act of 1951 reads: "Provided further, That after November 1, 1950, no funds herein appropriated shall be made available to any nation of which a dependent area falls in the opinion of the President to comply with any treaty to which the United States and such dependent area are parties."

A letter from this chamber dated May 12, 1950 appears on page A-1169 of the Congressional Record of May 21, 1950. It gives details of certain violations of United States treaties of which the Moroccan Government was guilty. Some of these still continue.

United States treaties with Morocco guarantee "economic liberty without inequality." They limit customs duties to 12 percent, prescribe impartial customs evaluations; restrict taxes; preclude monopolies with certain specified exceptions; and, above all, prohibit any restrictions on Moroccan import or export trade unless the restrictions apply identically to trade with all nations including France and Spain.

The import restrictions imposed by the edict of December 28, 1948, which was accepted by the Department of State, have affected Americans more than Frenchmen or any others.

French businessmen established in French Morocco before the war control the great part of exclusive representation of American marks, and are therefore for the large part able to obtain the lion's share of official dollars for their imports, while Americans, in business only since the last war, have an insignificant share in the dollars available to Morocco for imports from the United States. Again, Frenchmen are at the same time representatives of French manufactured goods, which they can import payable in francs. Americans do not have any exclusive representation of French goods, or any other non-American goods.

Since the application of the aforementioned edict, some American veteran businessmen in Morocco, who were earning a living importing with their own dollars, or with dollars obtained outside of Morocco payable locally, were obliged to relinquish their business and return home. Others remained here, but found themselves almost completely denuded of their business activities. Several of the latter who have made substantial investments locally gradually see their life savings dwindling until eventually they too will have to return home without funds.

One spectacular problem created is that of the personal automobiles. Americans have always been accustomed to drive comfortable American cars. Since the restrictions of American automobiles into French Morocco in 1948, several Americans on returning from home last year brought in with them their personal automobiles purchased with their own dollars while on vacation in the United States. When they returned here with their cars, they were obliged by the customs to sign an agreement to ship out their personal car within a certain period of time. Tired from their long voyage they had no alternative but to sign such an agreement, knowing fully well that it would force them to ship out their car and be left without transportation, which was essential to carry on their business. The deadline arrived and Americans were obliged to get their cars out, which they did, some of them even paying a fine of approximately \$25 for keeping their cars after the date of agreement. Some of these Americans are now forced to drive two-by-four French cars, whether they like it or not. It is really humiliating to see an American who used to drive a Buick or a Cadillac crawl along on a small non-American automobile.

In recent discussions between the appropriate French officials at Rabat, the capital, and members of the American Legion, the latter were told that they might be authorized to bring in a personal car, provided they sign an agreement not to dispose of it before 2 years. The spirit in such a provision is not flattering to us American citizens, especially when our business reputation locally shows an irreproachable conduct.

In view of the foregoing, it is respectfully pointed out that Morocco is failing to comply with her treaties with the United States as long as she shall not—

(1) End restrictions imposed on two-way trade with the United States which are not applied identically to trade with every other nation;

(2) Compute and collect customs in complete conformity with the procedures and rates established by treaty;

(3) Cease the requirement for 3 percent guaranty for the importation of tea;
 (4) Discontinue entry taxes and "cessions" in kind which are imposed in addition to customs;

(5) Conclude arrangements for prompt reimbursement of taxes and customs collected in excess of those allowed by treaty and for just compensation for "cessions" in kind;

(6) Cease all attempts to create or maintain monopolies in trade or transportation through cartels or otherwise, or to give a favored competitive position to any organization unless specifically permitted by treaty;

(7) Permit American citizens residing and doing business in French Morocco to import anything they desire for personal or household use.

Request the Department of State's immediate intervention to permit American citizens to import personal automobiles payable in dollars from their accounts in the United States. This question is very pressing, as several Americans are handicapped in their business for lack of personal transportation.

Our attitude is not anti-French, it is one of justice, cooperation, fairness, and the furtherance of American interests. This is the policy of the American Chamber of Commerce of Morocco, based on the policy of the United States Chamber of Commerce at Washington, D. C.

It is hoped that officials of your staff charged with making a determination of fact in connection with Moroccan treaty compliance will agree that each of the six violations listed above should be eliminated as a condition of further assistance to France.

Respectfully yours,

Gus G. STRATTON, *President.*

COMMERCIAL SITUATION AND RESULTS OBTAINED

(Excerpt from the 1950 Annual Report of the American Chamber of Commerce of Morocco)

A few words on the effort made by our chamber vis-à-vis the consulate general, the Department of State, the Congress of the United States at Washington, and the residency at Rabat.

At the moment of the organization of our chamber, commercial relations between the United States and the residency were not of the best which had existed between the two countries. At that moment the climate was unfavorable. It would be superfluous to repeat the events which went before and the successive struggles of Paris and Rabat versus Washington, the American consulate, and the Congress. I take this opportunity to read you a brochure transmitted to us by the Department of State via the consulate. (Read: Affair relative to the rights of the Ressortissants of the United States in Morocco.)

Here I would like to emphasize that the attitude of the American Chamber of Commerce in Morocco in its role as intermediary, by its policy of equality and justice has helped to put a stop to the bad press and unfavorable public announcements for the two countries. Thus, during the meetings which took place at Casablanca at which were present representatives of Congress, the Department of Commerce, and the ECA from Washington, we not only gave a report which came as close as possible to the truth but we also took into consideration the interests of American and French businessmen as well as the general interest of the United States and Morocco. One could therefore justly state that our attitude of comprehension and justice contributed to the improvement of a difficult and confused situation. In the files of the chamber, the members can read the correspondence with Washington on this subject.

As for the petition of the American Chamber of Commerce of Morocco to Rabat on the subject of the extension of the free list now in force or the allocation of supplementary exchange, and following the visit of Mr. Wecherle and myself to Mr. Baraduc and Mr. Lamy, one can see that the protectorate has made an appreciable effort. Exchange has been allocated for automobiles, spare parts, refrigerators, tires, and recently for textiles. I will not say that all our needs have been answered, but, by our efforts, we have obtained relative compensation. We intend this year to make further efforts to improve the possibilities of importation from the United States.

THE MUTUAL SECURITY PROGRAM

THURSDAY, JULY 19, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we are in session for further hearings on the Mutual Security Program. We are fortunate in having with us this morning Gen. J. Lawton Collins, Chief of Staff of the United States Army, who will testify.

General, will you proceed in your own way.

STATEMENT OF GEN. J. LAWTON COLLINS, CHIEF OF STAFF, UNITED STATES ARMY

General COLLINS. Mr. Chairman and gentlemen, let me say this is the first opportunity I have had to appear before this committee. I regard it as an honor and a privilege to be here with you this morning.

Two years ago this Nation took a historic and decisive step when it embarked on a program to strengthen the military defenses of the free world. It was a step with the basic purpose of deterring aggression, as well as a move to be prepared to defend ourselves and defeat an aggressor if he should force war upon us. It was a step taken at a time when the international climate was turbulent with intermittent crises.

At that time our memories were fresh with thoughts of how seven nations in Europe had been enslaved behind the iron curtain since the end of World War II. We know even then that communism was more than a slow malignant growth strangling the liberties of men. And the events of the past year have confirmed that knowledge, and have proven beyond all doubt that the evil we face is not only an insidious creed but is a militant communism backed by force. Already the Communist empire embraces one-third of the world's population and one-fourth of its land area. We know that communism respects power alone, and if the free world is to enjoy peace, the free world must be strong.

We and our partners have persevered and grown stronger through these two fateful years. The free world looked to us for leadership and the American people have responded magnificently. But there is a natural temptation after 2 years of struggle—economic, psychological, and even military—to question the objectives, to relax the pressure, and to turn to other problems; particularly since we have had some success in our mutual defense efforts. But now, more than

ever before, we must not be lulled into complacency and indecision by any wishful thinking. We must remain steadfast on the course we have begun, for the danger persists. We should drive resolutely along our planned route toward world peace and not be diverted by any detours of Communist policy.

While I endorse the military-aid aspects of the entire mutual security program, I appear before you today as a Department of Defense witness on that part of the program pertaining to North Atlantic Treaty countries in Western Europe.

The security of Western Europe is vital to the security of the United States, and the defense of it is in effect a defense of the United States—and all the rights and freedoms that our great Nation stands for. Our objective is to generate there the strength in being and the mobilization capacity which, together with political stability, will be sufficient to deter the Communists from attempting to seize Europe's industrial power which is second only to that of the United States.

We are concerned not only with the geographical aspects, but even more important, with the defense of our way of life—the dignity of the individual, his political freedom, his freedom of worship, his standard of living.

We have drawn from Western Europe our language, our literature, and our laws—the very roots of our cultural existence. The strengths and weaknesses of European peoples are reflected in the strengths and weaknesses of the American people. Even ways of thinking are based on our common heritage. Although we do not always see eye-to-eye with our friends the compelling truth is that even if there were few bonds of friendship and no cultural ties, the nations of Western Europe would still be necessary to the survival of the free world.

The importance of the productive capacity of Western Europe should not be underestimated. If Western Europe falls under Communist domination, there will be lost to the forces of freedom the industrial efforts and scientific skills of more than 200,000,000 people. The coal and steel of the Ruhr, the Saar, and the Lille areas would be among the resources available to our enemies, and the economic scales might be tipped against us.

Today, the free nations of the world have a material productive advantage over the Communist nations, but if Western Europe were lost this advantage would be greatly reduced and in some cases overcome. Our advantage would be reduced, generally, in coal, from 3 to 1 to $\frac{1}{2}$ to 1; in steel, from 5 to 1 to $1\frac{1}{2}$ to 1; in power, from 6 to 1 to $1\frac{1}{2}$ to 1. And if Western Europe were lost, the Middle East would not be far behind and the Communists would then control half of the world's oil reserves.

If Europe and the Middle East should fall under Communist domination, the Western Hemisphere would face almost certain war or economic strangulation. The political, economic, and ultimate military conflict that would ensue is dreadful to contemplate. It is by no means certain that we could survive such a conflict; that one-seventh of the world's population could withstand six-sevenths; that we could stand for long without our European friends and their resources. The stark fact is that we need a free Europe and Europe needs us. Only our combined strengths can make us secure.

To achieve security each nation must contribute its share, and must concentrate on what it does best. Since the turn of the century, the foundation of our strength has been our great industrial capacity. Ours is not the largest country nor the most populated, but in productive capacity we lead the world.

It is through our enormous productivity that we can make a most vital contribution to the mutual defense efforts of the NATO countries. To a large degree the progress already made in our collective security effort is due to the economic and military aid provided for the North Atlantic Treaty area during the past 2 years. In addition to its material benefits, our aid is serving as a tremendous psychological stimulant to the Europeans in getting them to help themselves.

The greatest stimulus, of course, came from the establishment of General Eisenhower's headquarters and the further development of the North Atlantic Treaty Organization. These organizational gains, no matter how inspirational, are meaningless, however, without the equipment to back them up. This equipment is an important part of that program, and is essential to the morale of our allies.

I think you should know some of the general criteria used in planning the fiscal year 1952 program of military aid. The concept which underlies the entire program is that the primary responsibility rests with each country for raising, maintaining, and equipping its own forces.

Our European partners are contributing substantial quantities of the items required for the initial equipping of their forces, such as major armament feasible to produce in Europe, small arms and ammunition, all personal equipment, food, housekeeping supplies, and the like. And they also maintain posts, camps, and training areas.

American aid does not mean giving the Europeans a "shopping list." The needs of every nation are meticulously studied and every item is carefully considered. An artillery piece, or a plane, or a ship, for example, is only provided after thorough screening, analysis, and review of the requirements both abroad and here in the United States. First, we make sure that it, or a comparable item, cannot be produced in time or otherwise obtained by the country which is to receive it. Then it is viewed from the standpoint of possible adverse effect on our Nation's resources. A careful estimate is made of the recipient country's ability to absorb and properly utilize it. And finally, it becomes a firm requirement only if it fits into the over-all collective strategic plan.

Of equal importance with our shipments of supplies and equipment is our training assistance. Dollar-wise, this aid is not very large, but it is extremely important since the effective and economical use of our equipment depends upon proper training.

In this connection, during my last trip to Germany, I visited some of the Army schools which we are operating. These schools are training technicians not only for our own units but for the European countries who are receiving military aid—and I can assure you that our investment in that school system in Europe is paying tremendous dividends. For example, since 1949 in these Army schools we have trained more than 2,000 selected foreign nationals. And the Navy and Air Force have trained almost 2,500 additional students.

This aid is beginning to produce results. General Eisenhower's headquarters is no longer a command without troops. The forces—land, sea and air—are assembling from both shores of the Atlantic. And they are training alongside each other in excellent harmony. Their ranks are filling and while still short of equipment, they are now beginning to receive a steady stream of the supplies they need.

Other great strides have also been made. The terms of military service in certain countries have been lengthened, and there are indications that in some cases further increases may be adopted. Military forces are being reorganized to produce more combat units to fit into General Eisenhower's command. Europe's pre-Korea rate of military expenditures has been greatly increased and further increases are probable.

With such signs of success to reward our efforts of the past 2 years, it is only natural that we should be inclined to question the need and the scope of further aid. But we must keep our goal clearly in mind.

This is the long-range program of the free world for survival. It should not be jeopardized by short-range successes.

The wisdom and courage we demonstrate by not relaxing now may mean the difference between war and peace in the future. Communist pressure continues relentlessly, every day, world-wide, above and underground. We must meet it with inexorable purpose. In war and in peace we have learned that when dealing with Communists, strength is the final arbiter.

The fiscal year 1952 Mutual Security Program is an essential step in establishing the security of the United States. I recommend it for your favorable consideration.

Chairman RICHARDS. Thank you, General. I am sure we all agree that was a forceful statement, I notice on the bottom of page 2 you make this statement:

The security of Western Europe is vital to the security of the United States, and the defense of it is in effect a defense of the United States.

As I see it, that is the premise on which this bill comes here. Would you care to say anything else for the record about that, and give us your viewpoint as to the relative importance of this program to our own national defense?

General COLLINS. Yes, Mr. Chairman; I would be very happy to comment on that. I do not believe that you can really separate the two programs, that is, the MDAP program and our own program for the development of our own military forces, because the two are interrelated.

I personally think that we have not sufficiently stressed, particularly with the public perhaps, that we are not in Europe merely to defend Europe. Very frankly, from my point of view, I would not be too greatly interested in that. We are there primarily to protect the good old U. S. A. That is something that we must all thoroughly understand. I, as a military man, feel that we ought to build our protection as far away from the United States as it is possible to do it. So, therefore, this program is an integral part of the plans for the defense of the United States, not merely for the defense of Europe.

I think that is the key to the whole business. I think the program must be gaged and evaluated in the light of that conviction on the part of military men.

Chairman RICHARDS. Dr. Eaton.

Mr. EATON. What would happen to us if the Russian powers took over Europe?

General COLLINS. Well, of course, as I indicated in my statement, first of all, Mr. Eaton, we would be faced with a loss of roughly 200 million of the most skilled people in the world, artisans and technicians of all types.

With them would go a tremendous part of the productive capacity of the Western World. Actually Russia would gain more productive capacity if they were to overrun Europe than they now have under their control.

When you link that productive capacity with the productive capacity they already have, and the increase in trained manpower with the normal procedures followed by the despots, whether Nazis or Communists, and they are all alike as far as I am concerned, you would have a restraint on trade that would be bound to affect our standard of living at home and our entire economic well-being.

Moreover, when you link to that the potential of being able to attack England, for example, from the continent, then our ability, if war did come, to hit back at the Communists would be materially affected.

They would get harbors on the open Atlantic from which to operate submarines against us. They would be able to hit potential bases in England from which our Air Force would have to operate.

So I think from both an economic and a military standpoint it would be a tremendous threat not only to the security of the United States but to its economic well-being.

Mr. EATON. So the foundation of our foreign policy at the present time is based upon a conviction that it is the purpose of Russia to conquer the world, ending up with us?

General COLLINS. Of course, I do not determine the foreign policy. I do think that probably that is the basis.

Mr. EATON. It is a very serious thing, is it not?

General COLLINS. Yes, sir.

Mr. EATON. About the most serious we have ever faced?

General COLLINS. I think so.

Mr. EATON. Well, our duty is to inform our people and organize our resources to meet this tremendous challenge?

General COLLINS. Yes, sir.

Mr. EATON. It is awfully tough stuff for hot weather.

General COLLINS. Yes, indeed.

Chairman RICHARDS. General, we have a rule for interrogation here in the committee which we call the 5-minute rule. We will proceed under that rule this morning. Mr. Mansfield.

Mr. MANSFIELD. I have no questions. I just want to express my appreciation for a very fine statement this morning.

Chairman RICHARDS. Mr. Chipperfield.

Mr. CHIPPERFIELD. When General Bradley was here he told us the number of divisions that Russia and her satellites had. We were told the ratio as compared with NATO forces.

General, what I would like to have you explain is about what strength we would have to have to defend Western Europe, and how we could do it on the ground? Of course, I realize we have air, and also air from the Navy. How many divisions would Russia have in

Western Europe, how many would we need, and how can we do it so we will not have a Dunkirk?

General COLLINS. I would like, if it is possible, Mr. Chairman, to answer this one off the record. This is an executive session, as I understand it.

Chairman RICHARDS. This will be off the record.

(Discussion off the record.)

General COLLINS. This program also has to be checked from an economic standpoint as well as from a military standpoint.

I think it is also the reason why we have to go carefully and say, "If you do not do this, we will not do anything."

I think that has to be weighed and analyzed carefully as to what is a reasonable portion of the national wealth of a given country that could be converted now into military strength without lowering the standard of living to a point where the people would be more subject to the infiltration of communism.

Mr. CARNAHAN. Would you say if it had not been for the Marshall plan that we would perhaps not be able to build up much military strength in Europe at the present time?

General COLLINS. That is my judgment. I am no economist. I have lived in Europe for 3 or 4 years. I know something of the economy of France and Germany.

I am firmly convinced that the Marshall plan had a great deal to do with putting Europe on a more even keel, and it makes it possible now for them to gradually convert some of that economic endeavor into military production.

Mr. CARNAHAN. If that is so, why place such strong emphasis on a shift from the idea of economic assistance over to military assistance at the present time?

General COLLINS. I think they have come to the point—again, I cannot give you a positive answer on that because I am no economist—where the general opinion is that the economic stability of Europe has reached a reasonably safe point.

So that now, particularly, counterpart funds should be used more and more for the production of military equipment.

Mr. CARNAHAN. Additional military equipment will be built from the additional economic strength?

General COLLINS. We think additional economic strength has been created.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. General, we are glad to have you with us again. I want to ask a little about the schools. Are they all in Europe?

General COLLINS. We have many foreign students that attend our schools here in the United States. We do not let them go up to our war colleges. But below the war-college grade we have foreigners in all of our technical and service schools in the Army, and I think equally in the Navy and the Air Force, here at home.

These schools that I spoke of having visited personally in Europe have a little more specialized character, technical primarily, to teach, for example, the Belgians to handle our equipment.

They have been very successful. One that I visited was in Germany.

Mrs. BOLTON. What language problems do you have when the men come in?

General COLLINS. We do have language problems; but, frankly, when you are teaching technical matters, your difficulties of language can be overcome to some extent by demonstration.

They try to pick men to send to our schools that have some knowledge of English. English is becoming more and more the universal language of Europe.

Mrs. BOLTON. What I was wondering is if you were making any effort to use the language techniques that were used on the Chinese in the air school at Miami?

General COLLINS. We think in the Army and the Air Force we have developed systems of teaching languages.

Mrs. BOLTON. I know about that particular method.

General COLLINS. We are using those techniques.

Mrs. BOLTON. Dr. Richards did go down from Harvard and did teach sergeants to teach what is called Basic English which has been one of my interests for 25 years. I was wondering if it is spreading out into more of our service schools.

General COLLINS. In these particular schools in Europe, as I say, they are primarily technical in character. I do not believe we have made any great effort to teach English.

Mrs. BOLTON. It would be necessary here; would it not?

General COLLINS. Yes. We give courses to the men who come here. Out at Fort Leavenworth we run a course for the foreign students in English. So, in the early part of the year that parallels their tactical instruction.

Mrs. BOLTON. Would you be good enough to furnish me with the information as to what language techniques we are using—whether it might be the technique set up in Miami. This particular method is the greatest timesaver in the world.

Dr. Richards is so set up at Harvard that he can prepare material for different nationals and see that teachers are made available.

General COLLINS. I will be very happy to.

Mrs. BOLTON. Have I some time left, Mr. Chairman?

Chairman RICHARDS. We are not on a time limit. We are depending on the good conscience of the members.

Mrs. BOLTON. I shall try to develop one.

I wanted to ask a question on the use of the factories of Europe. Is the Army going to broaden out the attitude expressed to us somewhat here in one of our hearings; viz, that they prefer having everything assembled here and sent over there finished instead of having the factories of Europe who can produce some of the parts make those parts, and then have the assembling over there? Are you contemplating that kind of thing in reality, or is it just a dream?

General COLLINS. Well, gradually, as this program goes on, we feel that the European countries should take over the manufacture and maintenance of the equipment that we furnish them initially.

We are also going along with the production of certain types of heavy equipment in Europe that they are capable of producing.

The French, for example, have built a certain number of light tanks and a new heavy tank which we are examining with them to decide whether or not we feel it would be a good tank for them to build. We do not have the final decision on that, but since some of the raw materials come from this country we do have a say in it, at least.

Mrs. BOLTON. Has anything happened on the increase of plane production in France, for instance, to put the British jet motor into a French made plane?

General COLLINS. I cannot give you any details on that, but I do know the plan is to use both the productive capacity of France and Italy also, if I am not mistaken. The Italians used to produce some excellent planes.

Mrs. BOLTON. In the early days?

General COLLINS. Right.

Mr. BOLTON. Thank you very much, Mr. Chairman.

Chairman RICHARDS. Mr. Zablocki.

Mr. ZABLOCKI. Mr. Chairman, perhaps my questions would be best asked off the record. They are about Spain, and I think perhaps a more frank answer would be had if it were off the record entirely.

Chairman RICHARDS. All right.

(Discussion off the record.)

Mr. ZABLOCKI. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. General, when you give your opinion on such things as Spain today, you cannot consider it solely from the military standpoint; can you?

General COLLINS. No, sir.

Mr. SMITH. I mean, there are political problems involved there that we sometimes find in this committee outweigh the strictly military ones.

General COLLINS. That is right. They might well outweigh them.

Mr. SMITH. Can you tell me what the approximate cost is of maintaining an American soldier overseas per year?

General COLLINS. Yes, sir. It costs something over \$4,000 per man per year. That involves everything now, not merely his pay and food but all of the communications, and everything else supporting him. That is not specifically just for a soldier overseas, but for a soldier in the Army as a whole. That also includes the proportionate cost of research and development, procurement, supplies and everything.

Chairman RICHARDS. Could I interpose a question there?

Mr. SMITH. Yes.

Chairman RICHARDS. General, do you know what the difference in cost is—and there is bound to be some—of sustaining a soldier here and overseas?

General COLLINS. Yes. I could give that to your committee, if you wished it. The Senate Foreign Affairs Committee asked me when I was a witness before them if I could give them the difference in cost of maintaining four divisions and supporting troops in Europe over what it would cost to maintain them here at home. I could give you exactly that same information.

Chairman RICHARDS. All right, sir.

Mr. SMITH. If you will, please.

(The information requested is as follows:)

ESTIMATED COSTS INVOLVED IN MAINTAINING FOUR DIVISIONS AND SUPPORTING TROOPS

1. The estimated annual cost of maintaining four divisions, including one armored division and three infantry divisions, plus necessary supporting troops, in the United States is \$755.2 million.

2. The estimated annual cost of maintaining the same force in Europe is as follows:

	<i>Millions of dollars</i>
(a) Costs in initial year:	
Maintenance cost in United States.....	\$755.2
Movement of force to Europe.....	146.5
Additional costs in maintaining force overseas.....	111.3
Total.....	<u>1,013.0</u>
(b) Annual recurring costs thereafter:	
Maintenance cost in United States.....	755.2
Additional costs in maintaining forces overseas.....	111.3
Total.....	<u>866.5</u>

3. The costs of any additional construction for housing the four divisions and supporting troops in Europe have not been included since a substantial but indeterminate portion thereof may be furnished by European governments.

Mr. SMITH. General, is not a very important question so far as the success of this program is concerned the cooperation we get from these countries and the NATO countries?

General COLLINS. Certainly.

Mr. SMITH. It is not strictly a military program on our part alone; is it?

General COLLINS. No, sir. It is not.

Mr. SMITH. One of the things that disturbs me as we consider the impact of this military preparedness on the people there is the fact that they are going to suffer a reduction in their standard of living, which to me is already pretty low.

I am wondering how we can possibly create a favorable attitude on the part of those people to get behind the program so that it will eventually achieve the objective we seek.

General COLLINS. I think I tried to answer that partially a moment ago. I think that that is why this program has to be linked for some time to come with some sort of economic assistance. In other words, you cannot do it solely in the military field alone. The two things must be combined.

I do think, however, that the well-being of Europe has certainly come up since the days of the war.

Mr. SMITH. But we have some testimony here, General to the effect that, notwithstanding the billions we have poured in under the Marshall plan, the standard of living has risen very, very little: in fact, only a few dollars per capita. Now we are going to taper off this ECA program and go into the military program, and it looks to me as though we have a terrific problem facing us on that score, because obviously the people who have engaged in this increased production are not getting a part of it.

General COLLINS. Actually, of course, that is beyond my field as a military man, but I realize the fact that the problem is there. There is no doubt about that.

Mr. SMITH. Thank you. That is all I have, Mr. Chairman.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. This will be off the record, Mr. Chairman.

Chairman RICHARDS. All right, Mr. Ribicoff.

(Discussion off the record.)

Mr. RIBICOFF. I certainly want to compliment you on your statement and your realization that we need the rest of the world as much as the rest of the world needs us.

General COLLINS. Thank you.

Mr. RIBICOFF. I think your problems in this country psychologically would be much easier if that point were hammered home more and more by all of us who have the responsibility for forming public thinking.

General COLLINS. I thoroughly agree with you.

Chairman RICHARDS. The Chair would like to state that I will let the members know when they go into the well of the House. How many have already answered the call? Then we must go down now.

General, we have to go down to answer to our names. However, there will be some members who will continue questioning.

Mr. VORYS. Off the record.

(Discussion off the record.)

General COLLINS. I would say in military planning we do not have just one plan. It really takes three general plans. That is, something you should be prepared to do next week if something happens. That is an emergency plan. Then what would you do within the next few years? We generally speak of those as midterm plans. Then we have longer-range plans. They are not developed to the same extent. There is no necessity of working up the details of a long-range plan.

It is essential that we have details for what we do next week, in an emergency plan. It is also essential that we go into quite some detail as to what we would do for our so-called midterm plans. But in all military planning you have to look well ahead, and there must be an integration between your emergency planning, phasing it into a midterm plan, and your midterm plan should be in consonance with what your long-range plan is.

Mr. VORYS. Thank you very much.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. Are there any evidences the Russians are increasing their military strength in the west since we have started this program?

General COLLINS. I would like to answer that off the record, if I may.

(Discussion off the record.)

Mr. MERROW. You spoke about the Germans being the best fighters, whether we liked it or not. Does it follow that before we can hope to remove our troops from Western Europe, it will be necessary somehow to integrate Western Germany militarily in the defense of Western Europe?

General COLLINS. That is my personal belief.

Mr. MERROW. If that were done, then the time might come when we could get away?

General COLLINS. Possibly so.

Mr. MERROW. Thank you.

Mrs. KELLY (presiding). Mr. Battle.

Mr. BATTLE. No questions.

Mrs. KELLY (presiding). Mr. Judd.

Mr. JUDD. General Collins, on your first page you say that the Communists—

* * * have proven beyond all doubt that the evil we face is not only an insidious creed but is a militant communism backed by force.

Has there ever been any doubt of that?

General COLLINS. I think there has been some doubt on the part of some of our people. There has never been any doubt about it from a military point of view, certainly. But I do think this operation in Korea clearly demonstrated the fact that it is a militant force, backed by military force.

Mr. JUDD. Have they ever taken any country by infiltration, beginning with Russia? Have they ever taken any country except by force or threat of force?

General COLLINS. Certainly not without the threat of force.

Mr. JUDD. I do not know of any they have taken over except by force, including Czechoslovakia. Every 2 men out of 50 in the factories had rifles or other small arms, and 2 men with arms can always take over 48 without arms.

General COLLINS. But that was not generally known, I believe.

Mr. JUDD. It was not?

General COLLINS. I am speaking now of what is generally known to the American public. I do not believe they did know that.

Mr. JUDD. Last night a member raised a question regarding our moving in 5 years from the peak of security to perhaps our all-time low. Do you not feel we should go ahead and educate our people, including people in the Government, to the fact that this is an armed threat? How could anybody fail to know that after reading Mao Tse-tung's books, in which he said communism could not win China without the use of armed force? He has said it a thousand times, and yet some people thought it was just an agrarian reform depending on its ideas to win for it. People did not come to that opinion spontaneously. They were led into thinking that by people who knew what they were doing. It was an attempt to lull people to sleep while the Commies built up their strength. But there was no excuse for governments to be fooled.

I am sorry that your statement seems to me to perpetuate the gigantic misconception or error that has been responsible for a lot of our troubles, and that is that Europe's industrial capacity by itself is sufficient to save her. What is it worth without raw materials, and Europe has not got them in adequate quantity. Why do we not say that every time we talk about the question?

General COLLINS. I think it would probably be well if we said it, Dr. Judd. I will plead guilty to not having included it in my statement. It was not done deliberately.

Mr. JUDD. I know, but it is a habit of mind that people have that needs to be changed. You mentioned only productive capacity, but productive capacity is only one of five factors of power, the others being morale, territory, resources, and manpower. The Communists are getting the territory, resources, and the manpower, and then what is the productive capacity worth? They want to take that over intact, not destroy it, and the way to do it is to deprive our side of raw materials, and so forth.

General COLLINS. But you cannot discount the fact that Europe does have great raw materials.

Mr. JUDD. Yes; but it does not have enough.

General COLLINS. No; but nevertheless Germany fought the last war with practically no outside material resources, and they fought it for 5 years.

Mr. JUDD. Certainly the presently underdeveloped areas cannot make it without Europe, but neither can Europe make it without them. Why do we not say that every time we talk about it? If we are strong only in Europe, they are not going to strike there, but will strike in Asia or the Middle East where we are not strong. If we build up Asia they will not strike there.

In line with what the gentleman from Connecticut said, do we not more and more have to educate our people to the hard fact that it is not just Europe alone? We are emotionally attached there, but there is more than that involved. It is industrial capacity plus raw materials, and they are not in one place.

General COLLINS. Right.

Mr. JUDD. I hope that even more vigorously you and your associates will stir people up on that point.

Thank you very much. It is nice to have you here and profit from your excellent statement.

General COLLINS. Thank you, sir.

Mrs. KELLY (presiding). Mr. Burleson.

Mr. BURLESON. My respects, General Collins.

I have often wondered, General, in your position and that of the military what it is like to play a game when you know your opponents have your signals and also the ball. I think that is exactly our situation today.

Mr. JUDD. And some of the players on your team are theirs.

Mr. BURLESON. Well, that could be true too, but that is another question.

General, it seems to me that is pretty much the case. You are facing that problem, but aside from the fact that it is our system that we are open with everything we do, do you not find it is a matter of concern under those circumstances?

General COLLINS. Yes, we are, but I remember when I was an instructor at the Army War College for many years we used to have a lecturer from Princeton University come down each year to talk. I do not recall his name now, but he made this point, and I felt like cheering each time he made the statement. He said that a democracy is the poorest type of government with which to prepare for war, but the democracy will lick the autocracy every time.

I believe that is true. In other words, with the democracy you have got to take these ills and ailments. The military man must take those. In other words, many of our plans and many of our capacities have to be spread on the printed page and, therefore, the potential enemy gets that information free of charge.

However, on the other hand, you must inform our people, and as I said earlier here, I think that has been one of our difficulties—that this effort in Europe is not merely being made for Europe, but is being made in the defense of the United States.

In order to convince them of that you have to spread a considerable bit in the public print. We military people, I think, have just got to accept that. We try to hold it to the minimum. We ask you gentlemen to do it, too. This morning, for example, I spoke quite frankly off the record, and I hope that will remain off the record. I am confident it will.

Mr. FULTON. This committee has an excellent record on that.

General COLLINS. That is what I have been told, and that is why I spoke with such frankness.

Mr. BURLESON. Some of the other committees of Congress have seemingly not been so good on that?

General COLLINS. I would not like to say anything on that.

Mr. BURLESON. The philosophy is fine. I certainly subscribe to it. However, if I were engaged in a rock-throwing fight, I would rather have the rocks and let the other fellow have the philosophy.

General COLLINS. Right.

Mr. BURLESON. An example of the disclosure of vital information appeared in the papers this morning. Here is a chart showing the arrangement of airfields, and naval bases, which Admiral Sherman has purportedly discussed with the Spanish Government. Certainly I do not mean to leave the impression that Admiral Sherman gave someone a blueprint of what he had hoped to do or what he had done. I am sure it is someone's speculation, but it is things of this sort I am talking about, and such things as the recent publicity regarding the B-36's, what our capacities are, and what our plans are likely to be. It distresses me. It just makes me sick when I see anything like that.

I do not know what can be done about it, but I just wondered if you were not rather distressed about it yourself.

General COLLINS. Well, at times we are.

Mr. BURLESON. Thank you very much.

Mrs. KELLY. Thank you, Mr. Burleson.

Mr. FULTON.

Mr. FULTON. The problem is simply one of degree. The trouble arises when the other side does not disclose and you must disclose more. Therefore, the problem is not for us to close up more, but to force the others to disclose more, because if everybody is operating in the same system, you would not have too much complaint.

General COLLINS. The difference is, in the police state, where the people do not decide policies and it is decided by a handful of men, then they do not have to explain to their people. But that is frankly one of the reasons why I have supported our efforts in the psychological field—the Voice of America, and such things as that. There is no doubt but that we must wage psychological warfare against communism, and we ought to reinforce our efforts in every way we possibly can.

Mr. FULTON. That is my point. Instead of just having the feeling that we are at a disadvantage, we should take an affirmative policy with affirmative steps that does the explaining when others are not.

General COLLINS. Right.

Mr. FULTON. So instead of cutting down the Voice of America funds to 10 percent we ought to be building it up further and ought to be educating the people as to what government means, even behind the iron curtain.

General COLLINS. Right, sir.

Mr. FULTON. I would like to point out to Mr. Ribicoff that the Finnish-Russian War ended with a verdict for Russia. So that is one exception to his democracy always winning wars in the last few hundred years.

Mr. VORYS. And Germany beat France in 1871.

Mr. FULTON. That is true.

The next thing I would like to take up is this: You military people have the responsibility in the current cease-fire negotiations. When you are dealing with a person you must know the basis upon which he deals, and he must then come to you with some degree of fairness in order for you to feel that you have confidence in dealing with him.

Now, there are certain rules of war that should be currently lived up to. One of them is the treatment of prisoners and the identification of the missing and transfer of the severely wounded and items of that kind.

When Secretary Acheson was before this committee he specifically promised me, in answer to my question, that the United States would have no cease fire unless the enemies lived up to the Geneva Convention and international rules of warfare on prisoners. Now, as far as I know neither the Chinese nor the North Koreans have lived up to this standard.

I want to call your attention to the fact, as the senior officer in charge, that it has been specifically promised to this committee by the head policy person on behalf of the President that that would be done. I do not see any reason why the whole negotiation has to go through the hoop at once. Why cannot the negotiations come up on one subject? You can then agree on that subject and you perform, for example, on the prisoners.

There is nothing that would assure this country more than to have you people come up with an agreement on the transfer of prisoners, even though we cannot agree on some long-range things at this point.

I just wanted to submit to you as a new point of view that you could have partial agreements which you satisfactorily complete, thus reassuring the other side that each of you will live up to any agreements on major things, when you can agree on minor things.

Now, going to the matter of the coordination of arms—and this is with reference to Europe—when will you get a correlation program on arms? I think many people have estimated it will take 20 years to come up with a real program. For example, there are 12 armies and they have 33 types of machine guns, in the 12 armies, and you want three standard types. On heavy artillery these armies have 90 types of heavy artillery. On light artillery they have 60 types. You want to come down to three standard types on the light artillery, and five standard types on the heavy artillery.

When you have such a tremendous problem of converting to get standardization of arms, why do we not adopt a new policy and say this: Let us train these armies on the best new equipment that we and our allies have. Let us try to get out of convincing the British to adopt our screw threads and spending 2 years or 3 years doing it. Let us demonstrate by training that our United States arms are satisfactory and good, and make quick decisions on standardization. Then let us say to these other countries that have colonial empires, like France and England, and even Italy. "Use those unstandardized arms on the outer reaches and use them up, and gradually taper them off." Why do we not do that at this time, instead of trying to get a complete arms correlation program over-all, where you have such a tremendous amount of detail and agreement to arrive at in order to get it correlated even within a certain set area like Europe?

My suggestion then is, why not treat the problem both as a geographical and time factor, moving the obsolescent arms out geographically, and cutting them off by time gradually? It is just like a program of using the old muskets in the outside territories where top weapons are not so vitally needed.

My next suggestion would be, why not bring sizable groups of the young men of our allies to this country for training as well as just training them in Germany with our arms? Let our partners see what we are doing; let them pick up some of this democracy and the things we are speaking about. Let them have an integrated training militarily along with the training in our type of democracy, so that they would feel they are fighting for real people and not for a plutocracy. Help train them in this feeling of partnership rather than their having just the feeling that we are a tremendously rich nation while they are working, for example, in the French Army at \$1.50 a month in order to protect us.

I want to compliment you on the statement that you made and assure you of the confidence we have in you and in the Army, and that is an awful lot for a Navy man to say.

General COLLINS. Thank you very much, sir.

Mrs. KELLY. Mr. Roosevelt.

Mr. ROOSEVELT. I am glad to see you here and join my other colleagues in complimenting you on your statement.

Now, this ought to be off the record.

(Discussion off the record.)

Mr. ROOSEVELT. I have another question on the record.

Is there a period when an offense by the Russians in any given 12-month period is more potential than otherwise?

For example, I remember the Hitler attack on Poland was somewhat of a surprise because we had expected if it was going to come it would be a month or 6 weeks earlier. On the other hand, Germany waited until the following spring before they broke up the cold war by invading the low countries and France.

Is there a real danger period as far as weather is concerned on this western offensive?

General COLLINS. I do not believe that you can say there is a flat rule on that. Generally speaking, it is more advantageous to start operations in the spring or early summer because then, before winter sets in, you may be able to accomplish whatever your strategic objectives are, but that might vary in different parts of the world, depending on how deep you had to penetrate before you reached your objective.

Also, the question of surprise might well come in. There are times when you might sacrifice something on that order in order to gain surprise—strategic surprise particularly.

Mr. ROOSEVELT. With regard to Yugoslavia, is there any foundation to the belief that before Russia would move on the great northern plain of Europe they would like to eliminate the danger on their southern flank, which would be Yugoslavia, and to increase the necessity of our maintaining defensive forces in Italy in order to protect our southern flank. Therefore, as a prelude to any general western European attack, the Yugoslav situation would be cleaned up by the Russians first.

General COLLINS. I wonder if I could answer that off the record?

Mr. ROOSEVELT. Yes.

(Discussion off the record.)

Mr. ROOSEVELT. General, to get back to Spain, according to this morning's paper an agreement has been reached between Generalissimo Franco and Admiral Sherman in broad outlines.

Now, I was frankly very startled to find the United States sending a naval officer to conclude what amounts to an international agreement. So, my first question is, one, why was the normal diplomatic method deviated from? My second question is, since it was deviated from, what were the instructions that Admiral Sherman was given by the Joint Chiefs of Staff?

General COLLINS. Needless to say, I cannot possibly answer those questions, Mr. Roosevelt. They are beyond my field and I would have no authority to say what instructions were given to Admiral Sherman.

Mr. ROOSEVELT. Were his instructions from the President or from the Joint Chiefs of Staff?

General COLLINS. I am sorry, but I could not answer that.

Mr. FULTON. I believe I must object to the line of questioning on the ground of security.

Mr. ROOSEVELT. I accept the objection. Frankly, though, I think the committee must get to the bottom of this thing because it has me very worried.

The next question about Spain is, assuming its military importance—

General COLLINS. I would like to say something off the record, if I may.

Mr. ROOSEVELT. Yes.

(Discussion off the record.)

Mr. ROOSEVELT. How long would it take us to develop the naval and air bases that we may be making a deal for in case of an emergency, that is, to put them in operating condition?

General COLLINS. Again I would like to answer that one off the record, if I may.

Mr. ROOSEVELT. Yes.

(Discussion off the record.)

Mr. ROOSEVELT. I might just say that one of the reasons behind that question is that I question whether, in view of the tremendous political implications as far as the solidity of the NATO nations with us is concerned at this time, I question whether, on a military ground, we have to make this move at this time, and whether we could not have put it off until a time of real emergency, assuming that the Pyrenees are not going to be our defensive line.

Of course, the question then comes up as to whether, if an emergency comes, could we move in and make our agreement with Spain and get the operating bases quickly enough.

General COLLINS. I would like to answer that off the record.

(Discussion off the record.)

Mr. ROOSEVELT. General, I have one last question, which is really a procedural question.

As I understand it, you are primarily limiting yourself to the military aspects of Western Europe.

General COLLINS. Yes, sir.

Mr. ROOSEVELT. And Admiral Sherman, or his deputy, will discuss the Middle Eastern military situation?

General COLLINS. That is right.

Mr. ROOSEVELT. That is all of my questions, Mr. Chairman.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. General, in your statement you referred to or made the statement that air coverage, strategical and tactical, I took it, was necessary to successful operations.

General COLLINS. That is right, sir.

Mr. REECE. So far as I recall you were the first representative of the armed services who has referred in an important way to the air power and its importance over there. Now, are you satisfied with the emphasis and the support which is being given in the development of both strategic and tactical air power and the bases from which to operate it?

General COLLINS. I would like to answer that off the record, if I may, Mr. Reece.

Mr. REECE. All right.

(Discussion off the record.)

Mr. REECE. Is there any significance in the fact that the importance of air power over there has been played down from the very beginning, and I think it is fair to say it has been played down.

General COLLINS. I am not sure I would agree with you on that. I do not believe it has been played down.

Mr. REECE. It has seemed to me that it has. I think the psychology in the country has been developed somewhat along that line, and it has given the people who might be reasonably advised some concern whether the air strategy is brought in as an essential to the operation.

General COLLINS. I can assure you that it is. I am perfectly happy to say that on the record.

Mr. CHIPERFIELD. Will the gentleman yield for one question?

Mr. REECE. Yes.

Mr. CHIPERFIELD. Or an observation.

General, I think the American people are not aware of the emphasis that you people are putting on air. They are worried about their boys on the ground. It seems to me there ought to be some way of letting our people know what air plans you have without giving away any security.

General COLLINS. I can assure you that so far as the Army is concerned we are working in very close relationship with our Air Force in the development of plans for increasing the complement of fighter bombers, for example, in the Air Force, and the expanded programs of the Air Force, and in the correlation of the employment of the air in connection with ground operations.

Mr. CHIPERFIELD. And the jets and attack planes too?

General COLLINS. That is right.

Mr. REECE. This should be off the record, I believe.

(Discussion off the record.)

Mr. REECE. One more question which gets back to Spain.

Of course, as you say, it is recognized that Spain's army is poorly equipped—not only inadequately, but poorly. However, the army of but few of those countries, I take it, is well equipped. So most of the armies that get ready to go into a modern action over there require a great deal of equipment from us or through our assistance. Now, Spain, as I recall it, from what General Marshall or General Bradley said, has some 30 divisions. Spain has two things that are

essential, and probably found in a higher degree there than in any of the Western European countries. That is a will to fight and a hatred of communism.

So I take it that you would not have any apprehension that if Spain were equipped but that they would use the equipment to the best advantage within their limitations.

General COLLINS. Yes, sir; when properly trained in that equipment.

Mr. REECE. It would seem to me it becomes a rather important thing. There is just a little question, I take it, in everybody's mind, as to what under certain conditions might happen in certain countries because of their political instability. That is one thing we do not have to worry about down there. I am not referring to Franco's government being a dictatorship, but it is due to the psychology of the people.

It would seem to me it is important to bring Spain into the NATO orbit as closely as the political situation would permit.

That is all. Thank you.

Chairman RICHARDS. General, we have had some testimony around here, but not enough, on the question of the end items that come out of American production which are to be used in this NATO program. We have had some information, for instance, that the French have developed a good jeep and a good tank and a good bazooka. Some people say they are better than ours.

In making your requisitions for end items and coming to that decision on such things as I have mentioned, is the main thing you take into consideration the capacity of Europe to produce, or are you primarily looking for the best equipment? That is, is the main thing you take into consideration the capacity to produce for the NATO activities, or are you primarily looking for the best weapon now, and how do those items compare with items that have been produced in Europe?

Mr. REECE. Before he answers, would you permit me to add one more question which he might answer at the same time?

Chairman RICHARDS. Yes.

Mr. REECE. To what extent is it important to keep our productive capacity here, where we know it is reasonably immune from the enemy?

General COLLINS. This is a very complicated question and I am afraid that I may not be able to give you a wholly satisfactory answer.

Generally speaking, it was imperative that we get some heavy equipment in the hands of these European forces, and they did not have the jigs, dies, fixtures, and other things that would permit the immediate construction of this equipment. So, therefore, as a first-hand proposition, we had to furnish it from this country. There was just no substitute, because it takes a long time to develop the plant and the necessary skilled laborers, and all the other resources that go to make a modern tank, for example, or a modern aircraft. You cannot just do that with a wave of the hand.

So to start with it was essential we furnish the bulk of the end items from this country. As time goes on, we believe that Europe should be able to take over the production of spare parts and maintenance of equipment and things of that character that could keep them going.

Ultimately Europe could undoubtedly produce some of these heavy-equipment items in their own plants, such as the tanks and other very good equipment France is now building.

We do not believe that over all they are quite as good as ours. However, the French have produced very fine munitions in the past, and some of the things they have put into some of their new equipment are superior.

Individual elements perhaps are superior to some of ours, and we have a means of exchanging information of that character, so that we can take advantage of those improvements.

It is important to use our own productive capacity here to a considerable extent, and just as prior to the last war the lend-lease items we built for England, for example, enabled us to build the productive capacity here at home so when the war struck we could then divert this capacity to military uses, so also the continuation of production of equipment for Europe keeps our production lines going and therefore is a valuable contribution to our own ability to step up production in the event of war.

That is not a simple answer, I will admit.

Chairman RICHARDS. You see, we think there is naturally some pride in our own effort, but granting that the French tank would be a little better, still it might be preferable to adopt our tank for all of the forces in the interests of uniformity and quantity of production. Is that right?

General COLLINS. Yes; but I think there is a limit to which you can go in that. In other words, I think that part of this is a question of morale also. If the Frenchman does produce some of his own equipment, then his morale is going to go up. I think if he feels that this is not just something he is dependent on the United States for, and that he has something he is building of his own, then I think there is a certain psychological value to that. So we have not been adamant on the business of saying to the Frenchman, "No; you cannot build this tank."

Chairman RICHARDS. You take all those factors into consideration when you make a determination; do you not?

General COLLINS. Right, sir.

Chairman RICHARDS. You also have to take into consideration then the thinking atmosphere in a certain country, and even political matters, in making a decision like that; is that right?

General COLLINS. That is right.

Chairman RICHARDS. So you do not make political decisions?

General COLLINS. No, sir.

Chairman RICHARDS. We are talking about the capacity of Belgium, as an illustration, to make the best rifles, or a gun, or weapon of a certain type—the best in the world, some people say. Now, one of the most difficult problems about this whole thing is when you sit down and talk this thing over and say, "Now, Belgium, you can do this and you can produce these things, and save a lot of money for this whole set-up," and then Belgium turns around and says, "I will do this if France does so and so, because they are equipped to do that."

Now, somebody has to make a decision about that, and somebody has to put it across. As I understand it, so far that is the plug in the pipe right now in Europe in the production of end items.

General COLLINS. That is one of them, but the other, of course, is raw materials. As Dr. Judd pointed out a while ago, they do not have all of the raw materials that are essential for the production of certain items. Some of that material we have to produce, and the question is whether we will furnish them the raw materials and let them build those things, or whether we can save money by building them here at home if we have to furnish most of the raw materials that go into them.

However, there is an administrative machinery established to weigh these various factors. It is called the Defense Production Board, headed by an American.

It happens that I attended the Brussels Conference with Mr. Pace at the time when the final arrangements were made at Brussels for the establishment of General Eisenhower's headquarters. In our discussions there the Americans pointed out particularly the tremendous importance we place on this Defense Production Board. I can assure you that the head of that Board works in close cooperation with our military people. The various complicated factors are correlated with the military planning as effectively as possible.

Chairman RICHARDS. We will go into that a little more exhaustively when General Scott gets here.

General COLLINS. Right, sir.

Chairman RICHARDS. There is another question I want to ask. One of the military men testified a day or two ago that he did not see any real objection in having different types of rifles in this Army, provided they were of the same caliber. Can any rifle shoot a bullet of the same caliber?

General COLLINS. No, sir. That is not the case. Even with 30-caliber. All of our stuff is 30-caliber, but actually you have several different kinds of ammunition of 30-caliber. It is not the summum bonum to have just one caliber, because the cartridges are different lengths, and that sort of thing.

For example, our new rifle, on which we are going into production some day, has a smaller cartridge than the present standard American rifle. It will weigh less and consequently for a given space you can carry more rounds, or for a given amount of weight you can carry so many more rounds. If you want to lighten the load which the soldier has to carry—which I am personally interested in—he can carry the same number of rounds with less weight on his back.

That new ammunition is .30 caliber, and you cannot use it in our standard M-1 rifle, since it is a different length, and the cartridge is shaped slightly differently. Yet, it is as effective a round as the present one.

Then you might say, "Why don't we start making it now?" The fact of the matter is that we have not the tools, and jigs, and dies, and fixtures, and all that sort of thing, to make that rifle, and we have a great many in stock now, and the time is not quite appropriate to change over. It may be several years; but, once again, just like this business of formulating long-term plans strategically, we have always got to keep well ahead to get a better piece of equipment, and at the right time, when it is propitious and most economical, then we are ready to go ahead with this new equipment.

Chairman RICHARDS. Anybody can see in the interests of creating an effective military force it would be better to have a standard

rifle and a standard bullet. Now, here is the decision, as I see it, that the folks over there have to make.

You say we want so many rifles and we are going to standardize this thing, and that is one of the problems you have in making an official NATO army. All right. Somebody else says Belgium can furnish these rifles. Then Belgium says, "Gentlemen, we can furnish the rifles, but they will not handle that kind of cartridge."

The decision you have to make is whether or not in the interests of military efficiency you are going to sacrifice what Belgium can contribute to the common cause in order to get standardization.

General COLLINS. That is right.

Chairman RICHARDS. Now, that is a pretty tough decision to make.

General COLLINS. Yes, sir. Particularly as it may be better to sacrifice standardization in order to get the end product right now.

Chairman RICHARDS. Yes. There is one other question I wanted to ask.

The Washington Post this morning said that we had already arranged for 80 bomber and fighter bases to ring this whole area. Have we done that?

General COLLINS. I would want to answer that off the record.

Chairman RICHARDS. All right.

(Discussion off the record.)

Chairman RICHARDS. There is one other question. I never understood what you were talking about when you talked about "balanced collective forces." I understand the "balanced forces" part of it, but I think you are talking about integrated forces. Is there a real distinction there?

General COLLINS. I do not recall in what connotation this particular term was used. Integrated forces could be used in the same sense as balanced forces. In other words, in fighter-bombers there is a certain relationship between the number of fighters we have to have and the number of fighter-bomber groups we have. In other words, it might have been used in terms of integrating the French and Germans and Belgians, and so on.

Mr. VORYS. Will the gentleman yield?

Chairman RICHARDS. Yes.

Mr. VORYS. Was there not a period when the French were asking for integrated forces? For instance, they were asking for integrating small units of Germans into French divisions.

General COLLINS. Yes.

Mr. VORYS. With the idea, which I should think will be the ultimate goal for Europe, of having a European defense force rather than a collection of national defense forces.

Chairman RICHARDS. It could be used in the sense that you are talking about.

General COLLINS. I think the chances are it was used in that sense.

Chairman RICHARDS. Are there any other questions?

Mr. VORYS. I have some questions.

Chairman RICHARDS. Mrs. Kelly has not been called on. She was sitting up here presiding for a while.

Mrs. KELLY. Mr. Chairman, I prefer my questions to be off the record.

Chairman RICHARDS. All right. Off the record.

(Discussion off the record.)

Mrs. KELLY. That is all. Thank you.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. General Collins, in 1949 Gen. Omar N. Bradley testified before our committee on the Mutual Defense Assistance Act, and he said first that the United States will be charged with the strategic bombing; secondly, the United States Navy and the Western Europe naval powers will conduct essential naval operations, including keeping the sea lanes clear; "third, we recognize that the hard core of the ground power in being will come from Europe, aided by other nations as they can mobilize."

I want to show you the committee report which prints the public statement of the testimony of General Bradley.

General COLLINS. I think that is still correct, but that does not say the United States is not going to produce some of the ground power.

Mr. VORYS. I want to remind you that exactly the same representations were made as to possible ground forces in Europe, on and off the record, to this committee in 1949, that were made before the Senate committee.

Now, on February 19, 1951, in the Senate hearings on assignment of ground forces in the European area, Senator Green said to you as follows:

Senator GREEN. Up to the present time under the conditions as you see them now and believe you can reasonably forecast them, six divisions will do the trick?

General COLLINS. Under the present world conditions, yes, sir.

Senator GREEN. Thank you.

I want to ask you whether your answer would still be the same to that question?

General COLLINS. Yes. Essentially the same. Now, practically it does not mean if world conditions change you would be necessarily limited to six divisions. I do not recall the exact line of questioning that led up to that. That had to do, however, with the number of troops we would have stationed in Europe in peacetime.

Mr. VORYS. These hearings had to do with six divisions for Europe this year, and so forth.

General COLLINS. Yes.

Mr. VORYS. That is why I thought it was sufficient merely to quote Senator Green.

General COLLINS. However, if world conditions change they might not be. You asked me if it would still be the case now. I said essentially the same. Yes.

Mr. VORYS. But you see, General Bradley's statement to us clearly indicated that the hard core would come from Europe.

General COLLINS. Still the hard core would come from Europe. Six divisions is not going to be the hard core.

Mr. VORYS. He said, "aided by other nations as they can mobilize." Which, solely quoting his public statement, is a clear statement that reinforcements from outside of Europe would come after mobilization.

General COLLINS. I do not believe he intended that at all. I cannot speak for him, but I do not believe he intended that at all. He said the hard core—the bulk—has got to come from Europe.

Mr. JUDD. Will the gentleman yield at that point?

Mr. VORYS. I yield.

Mr. JUDD. That deals with a question that I was going to ask later. When General Marshall was before us I asked him why our target

of armed forces in being was roughly twice as big as the target of Western Europe. He said that was not so and the Western Europe target was about 5,000,000 as against 3,500,000 for ourselves. I did not want to discuss details at the public meeting, but then he wrote a letter and said that while that would have to be discussed in executive meetings, he had been wrong in his statement because he thought I was talking about total mobilizable strength, and my question referred to forces in being. It is hard, in view of that Mr. Vorys and what General Bradley have said, to sell to the American people why we have to have under arms and in uniform all the time almost twice as many men as Europe, when it has one and one-half as much manpower as we have.

I realize we have other world commitments, but so do England and France.

General COLLINS. Of course, when you add it it comes up. I think you will find, although I do not have it at my fingertips, that certainly we are not going to have double the number of men under arms that the people in the western world will have under arms by any manner of means.

Mr. JUDD. The NATO countries. That was his figure and his target for the end of next year.

General COLLINS. Dr. Judd, I think the thing we must clearly understand—and I would like to reiterate it—is I am not a bit interested in going over to France to defend France. I am talking about defending the United States, and if it takes 3½ million men under arms to defend the United States, and it does today, I say we ought to maintain 3½ million under arms, irrespective of what France does. We, of course, should encourage France, and the people of the western world, to increase their effort, and I am all for that, but that does not mean we still do not have to have a strong force.

Mr. JUDD. You are missing the point. I am not complaining about the 3.5 for us, but I am saying it is not fair to represent to the people that Europe is going to provide the bulk of the armed forces when we are providing about twice as many. That is not fair.

General COLLINS. No, sir. The question asked of General Bradley was concerning ground forces—ground forces. That is what it was. General Bradley gave a factual answer. The bulk of the ground forces for the defense of Europe right now are coming from Europe, and they must come from Europe and they will come from Europe. However, that does not mean we do not have to have a navy and an air force, and we do not have to have a pretty good-sized army for our world-wide interests, including Europe.

Mr. VORYS. Will the gentleman yield?

Mr. JUDD. Yes.

General COLLINS. General Bradley did not say anything about overall numbers. The specific question asked him had to do with ground forces in Europe.

Mr. BATTLE. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. BATTLE. I do not believe the figures you gave on the size of the forces for the NATO countries includes the numbers of troops that would be available in 3 days or a few weeks. The reserves—

Mr. JUDD. It does not include our Reserves either.

Mr. BATTLE. These Reserves, who are available immediately, are being put to use in a more profitable capacity in industry under the framework of present conditions. I believe an accurate interpretation of those figures would show they would have almost immediately available a much larger-sized force than you were talking about.

Mr. JUDD. I know, but my question does not include the Reserves, in either case. I am talking about forces in being. It does not include our or their reserves. General Marshall said on the record, "The total up to 1954 is 5,000,000 on their side. I am trying to find out what the total expectation is up to July 1952—around 3,000,000, or up to 60 percent." I said, "Are you speaking of all countries not under the Communists, or NATO countries?" Then he said, "NATO." Then he sends this letter to us in which he said:

In view of my testimony in answer to Mr. Judd's question in regard to the forces of Europe, I find Mr. Judd was speaking of forces in being, whereas I was referring to planned mobilizable as well as active forces.

I do not think that is a suitable comparison. What I am trying to get is mobilizable forces on our side, compared with theirs; and our forces in being, compared with theirs.

Mr. BATTLE. Your point, of course, is that an unfavorable impression is going out over the country unnecessarily.

Mr. JUDD. That is right. It is said that the Europeans are going to do the bulk of this, and we are merely putting our finger in the dike to hold until their strength can be built up. Now I think we have to do that and we have to hold the dike until they can hold it on their own. However, the fact is that when it comes to paying the bill we have twice as many men under arms as they, and a further fact is that the people do not understand why that is.

Now, the people are just as patriotic and just as intelligent as you are, or as I am, or think I am, and they will support it just as loyally as you and I if they understand it.

Chairman RICHARDS. Let me say this. We are hoping we will not have to request General Collins to come back this afternoon, but I did hope we could go ahead right now and complete our questioning. I think everybody should be given time to do so.

Mr. LANHAM. May I ask a question?

Chairman RICHARDS. Yes, Mr. Lanham.

Mr. LANHAM. In connection with what Dr. Judd just said and your answer, General, what evidence do you have of the will on the part of the people of Europe to defend themselves, both in the way of fighting and making the necessary sacrifice in the standard of living to get ready to fight?

General COLLINS. Well, I think there are a number of indications. First of all, they have greatly increased the strength they have had in the past 2 years. When you consider that they are sitting under the guns—

Mr. LANHAM. That is what I had in mind.

General COLLINS. That calls for considerable courage. I think the very fact that they have done that is a clear indication of their will to fight and their interest in maintaining their freedom.

The steps that have been taken politically in the elections in Italy and France indicate that they mean business and their willingness to combat the spread of communism. I think another indication is the fact that with their relatively low standard of living—and it is cer-

tainly much less than ours—they have gone to considerable great expense in their military expenditures.

Now, with respect to the armies themselves, I have not seen too much of the French Army, but I have had talks with General Handy in Germany—our senior commander there. I have also talked with General Eisenhower and others in my recent trip to Europe. They have all said in France, and Italy particularly, there has been a resurgence of spirit among the younger men.

General Montgomery had come back from Italy on a recent trip, and General Eisenhower himself had come back from Italy. If I could put this off the record for a moment, I would appreciate it.

(Discussion off the record.)

General COLLINS. I would say on the record that I think from what I have observed and reports I have from officers in whom I have confidence, who are working with these armies, that there is a definite resurgence of spirit within the younger men, in the armies of Western Europe, especially France and Italy.

Chairman RICHARDS. Mr. Fulton, I promised to recognize you and then Mrs. Bolton.

Mr. FULTON. I have a short question. I believe I yielded to Mr. Lanham.

Mrs. BOLTON. Go ahead.

Mr. FULTON. On the charts that have been set up showing the position of General Eisenhower in the military set-up under NATO, for example, each chart seems to be very complicated. In addition, the charts show General Eisenhower pretty far down the line in point of authority, and really below quite a parallel row of agencies.

My question on this point is that I believe the top man for Europe, that is, the Supreme Commander, should have a higher policy level on these charts, and his views should be fitted in much higher than has been shown so far probably by agreement among the countries.

I would like to know, without any partiality toward the Army or anybody in the service, would you agree with that, that he is a little low in the order of hierarchy; and, secondly, that the policy contribution that he might be able to give is put at too low a level?

General COLLINS. No, sir. I do not believe so. Our general system in the Western World of the military man being subservient to the civil authority is carried out in the organization of NATO. General Eisenhower is put on charts, at any rate, below the Council of Ministers and the Council of Deputies.

Mr. FULTON. Yes.

General COLLINS. I think that is a reasonable proposition because the political policy must precede your military policy. But I think actually General Eisenhower has a tremendous influence, and I think he could have, if it was essential for him to step in, a tremendous amount of additional effect.

I happened to be at Brussels at the conference at Brussels when General Eisenhower was unanimously nominated by the Western Powers to be our Supreme Commander. There was no holding back there on the question of turning over to him the control of the armed forces of NATO.

Mr. FULTON. Could I point out to you just shortly that in the first or top echelon there is listed the North Atlantic Council of the Foreign Ministers, Defense Ministers and other ministers. Then there is the

Council of Deputies below that, on which Mr. Spofford is the American representative. The below that in direct descent is the Military Committee, of which Gen. Omar Bradley is the head. Then below that is the standing group, on which Gen. Omar Bradley is representative for the United States, also the United Kingdom and France—three countries. That group is located in Washington.

Then even above Eisenhower is the Military Standardization Agency, located in London.

Also above Eisenhower, and on parallel standing with the Military Committee are the Defense Production Board, which Mr. Barr is head of, and the Planning Board for Ocean Shipping, as well as the Financial and Economic Board, and even the Military Representatives Committee in Washington.

Then on the much lower line—below the civilian and policy level even for the military—comes General Eisenhower on a level with the Supreme Commander of the Atlantic, and also the Canada-United States Regional Planning Group.

I believe that other commands are possibly in prospect, which would be the equivalent of General Eisenhower.

Now, coming back to my question, I believe that the requirements that are to be set in the gaging of what the countries can supply in the way of military resources and military end items and manpower is going to be largely determined by our man in the field, and that, in this instance, is Eisenhower.

In view of that set-up, do you not think that that is putting him pretty far down below what we in this country feel about him?

General COLLINS. I do not believe so. I really do not believe so, Mr. Fulton. I think these other commands, taking, for example, the North Atlantic area—General Eisenhower does not want to be bothered about that in the first place. When it impinges on Europe, where it overlaps that and the North Sea, he is very vitally concerned. Certainly, when Admiral Fechtler takes over, if he does, he and General Eisenhower will have to discuss certain military phases in that connection.

But in my judgment General Eisenhower has an appropriate place on this chart. For example, take the Defense Production Board. Once again General Eisenhower does not want to be concerned with such details. He has a terrific amount to do as it is, and it is appropriate, I think, to establish other agencies to have supervision over their appropriate fields.

Now, the weight of General Eisenhower's judgment and recommendations, which you cannot evaluate on a chart, I think will be a dominating influence, but I do not think you can always go just by a chart in saying whether a man is in the appropriate place or not.

I personally believe he is in an appropriate position. You have to have something like the standing group, and I think it is appropriate that it be here in Washington, to exercise over-all supervision over the planning. It is a pretty complicated affair, just as in the last war with the Combined Chiefs of Staff in Britain. They were really superior to General Eisenhower, who had a somewhat comparable position in Europe then. General Eisenhower never objected to that. He was the operating commander in the field, and his hands were not unduly tied.

Mr. FULTON. Are you men, such as the Joint Chiefs of Staff, in close touch with the Standing Group?

General COLLINS. Yes. You see, General Bradley, who is on the Standing Group, is also the Chairman of the Joint Chiefs of Staff.

Mr. FULTON. I realize that.

General COLLINS. So that we have intimate contact all the time with them. His deputy sits in with the Joint Chiefs of Staff frequently. He is called in as a consultant frequently.

Mr. FULTON. Thank you very much.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. This will be off the record.

Chairman RICHARDS. All right.

(Discussion off the record.)

Mrs. BOLTON. Thank you very much.

Mr. FULTON. Would it be possible to develop an exchange program between West Point and foreign military schools, such as St. Cyr, or Sandhurst?

General COLLINS. In the past we have had a certain number of cadets at West Point from foreign countries—not many from European countries, very frankly, because I think until this past war they had a sort of paternal outlook toward Americans. They thought that maybe we could not contribute very much toward their knowledge and skill in military matters. I do not think that is the case any longer. We do have officers of certain foreign armies, not at West Point, but at certain of our service schools, where it is more important, in my judgment, than at West Point. That is done quite frequently. We also send our officers to foreign schools on an exchange basis.

Mr. FULTON. And you are expanding those programs?

General COLLINS. Yes; we are.

Mr. FULTON. I am very interested in that.

General COLLINS. We are.

Mr. ROOSEVELT. General Collins, for the record, we are setting up a war college for the NATO nation officers in Europe; are we not?

General COLLINS. It has been proposed, and as far as we are concerned, we have approved the idea. It has not yet been established. General Gruenther is personally enthusiastic about it. He was very recently on duty with our War College, and he is an exceedingly able man—General Eisenhower's Chief of Staff. They are going ahead with the establishment of a NATO War College for the training of higher staff officers for the NATO countries.

Mr. ROOSEVELT. I brought that up with General Bradley because I was fearful that perhaps the time might come when we could turn over much of the military defense leadership to the European nationals, and that we might then find a situation existed similar to 1939 in the French Army, where the old Maginot Line boys excluded the tank boys, notably General De Gaulle, from any position of authority or responsibility, with the result that the French Army was not a modern fighting army. I was fearful that we might not be able to turn it over to them commensurate with their contribution simply because they had not come along fast enough in the techniques of modern warfare. General Bradley discussed this.

Mr. VOYTS. General, you told us about your views on the overseas organization of this mutual security plan. Would you give us your

opinion of the Washington organization where, as I understand it, the control man who, under Executive order, represents the whole Government, is Mr. Cabot in the State Department? I would like to get your comment, because we have had a number of very important individuals and groups recommend that that be changed and there be an entirely new mutual defense agency created, independently, with a head man of Cabinet status.

General COLLINS. I do not believe I am really qualified, Mr. Vorys, to give you any judgment that would be worth very much to you. I do know, speaking only on the military side of the thing—I can assure you that the Joint Chiefs of Staff themselves have taken a great deal of interest in this program.

The system on the military side of it, I think, is very excellent. In other words, in each of the countries involved we have a competent group of officers who go around and actually see what these forces are doing. They are coordinated by a very able man, General Kibler, in London, who is a very competent man. There is a staff set up over there. General Handy, our senior commander, the senior Navy commander, and the senior air commander, and our representatives, are the representatives of the Joint Chiefs of Staff in Europe on American matters of this type who review these programs. They make recommendations to us over here.

We also have subordinate groups in the Department of Defense, first of all the one in the Department of Defense headed by General Scott, but in each one of our departments we have an officer. We have a very competent man in the Army. I am more familiar with him than the others. He is a Reserve officer called back to active duty, and a thoroughly competent man—General Olmstead.

These programs are all thoroughly reviewed by these military representatives. Finally a program is recommended to the Joint Chiefs of Staff. Then we review it. We have our own Joint Logistical Planning Group, our own Joint Strategic Planning Groups, and a third group, if necessary, to check these programs against the mid-term defense plan. The Joint Chiefs of Staff personally take a considerable interest in this. We personally look into it.

So, by the time the program gets through it has had a very careful, and, I think, a very sound military review.

Now, the intricacies of how that is correlated with the political and economic factors I am frankly not sufficiently familiar with to give you a judgment on.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. We had started out, as you know, with a military aid program, which was a very colorless title. Then this committee put in the Mutual Defense Assistance Program title, meaning we were all getting together and helping each other. It indicates we are working on a mutual basis and not just something from our side alone, where we are just shipping military end items over to other countries.

Have you had any trouble propagandawise on the name—Mutual Defense Assistance Program—or has it been pretty satisfactory and almost gone unnoticed?

General COLLINS. I know of no trouble.

Mr. FULTON. Then we are coming up to something that is again a propaganda matter as to the name of the program. There is a proposed name here from somebody, and it is on some of these docu-

ments, although the committee has not yet adopted it, called the Mutual Security Program. That to me is colorless and flat and can as well be used for an old-age assistance program.

If we are talking about the defense of the free world and a program to implement it, would it go beyond your scope and what you are doing in the program, to call this the Free World Defense Program?

General COLLINS. No; I should not think it would.

Mr. FULTON. Because we are going to be, by this program, stepping up the defense of the free world.

General COLLINS. I have not given very much thought to it.

Chairman RICHARDS. General, you do not care much what they call this; do you?

General COLLINS. I personally do not, although I admit the psychological factors ought to be considered in it.

Mr. FULTON. That is what I am getting at—how it would affect your people in carrying out your job.

Mr. ROOSEVELT. Are Spain and Yugoslavia part of the free world?

Mr. VORYS. Democracies. That is what they call themselves.

Chairman RICHARDS. I think you could call this program, "All in the same boat, and the devil take the hindmost."

Mr. FULTON. I think the propaganda value of the name is a very serious point.

Mr. VORYS. The State Department had a label for it—Military Mutual Security Affairs Program—and that added up to MMSAP, and they did not like that "SAP" part, so they changed it.

Chairman RICHARDS. General, thank you very much. We appreciate your coming up here. We will adjourn until 2:30.

(Whereupon, at 1:05 p. m., the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee met at 2:30 p. m., in the Foreign Affairs Committee room, the Capitol, Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please. This is an executive session. Mr. Crawford, will you check on everybody here?

Ladies and gentlemen, we have with us again today Mr. Paul Porter, Assistant Administrator, ECA, who is in charge of programs and who will go into the regional features of this ECA program.

STATEMENT OF PAUL PORTER, ASSISTANT ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION—Resumed

Mr. PORTER. Mr. Chairman, before I proceed with the statement of aid proposed for particular countries, may I just inform the committee that I am prepared now to submit as a result of our discussion yesterday certain tables to be incorporated in the record.

I think it might be well if I read the tables and give them to the clerk of the committee to be included in the record, if that is agreeable, Mr. Chairman.

First, I have a table showing the aid given to each of the European countries last year, and the aid proposed for this year. I will refer to those figures later in my testimony, but I will have all of this gathered in a simple form in one table to be included in the record.

Secondly, I have a table showing military expenditure in each of the European countries as a percentage of the gross national product of that country.

Chairman RICHARDS. Last year?

Mr. PORTER. For last year, and our estimate for this year.

Thirdly, I have a table showing the estimated level of consumption for this coming fiscal year in comparison with last year.

Fourth, I have a table showing the amount of food consumption in each country, and along with that the amount of meat consumed in each country of Europe receiving aid, and also the United States.

Fifth, I have a statement showing the proportion of taxes to the gross national product in each country. I will submit those to the clerk of the committee to be incorporated in the record.

Chairman RICHARDS. Without objection, the clerk will incorporate these statements at the proper place in the record.

(The material referred to is as follows:)

Gross national product, military expenditures and military expenditures as percent of gross national product, fiscal year 1950-51

(Amounts in million dollars)

Country	Gross national product	Military expenditures (including United States military expenditures abroad)	
		Amount	Percent of of gross national product
	(1)	(2)	(3)
Austria.....	2,120	26	1.2
Belgium-Luxemburg.....	6,675	216	3.2
Denmark.....	3,385	56	1.7
France.....	27,298	2,235	8.2
Germany (Federal Republic).....	26,460	1,270	4.8
Greece.....	1,835	178	9.7
Iceland.....	100		
Italy.....	15,200	650	4.3
Netherlands.....	5,446	300	5.5
Norway.....	1,994	72	3.6
Turkey.....	3,377	192	5.7
United Kingdom.....	39,600	2,485	6.3
Total 12 participating countries.....	133,400	7,680	5.8

Per capita consumption of all foods and of meat in BRP countries and the United States, 1950-51

Country	All foods (calories per day)	Meat (pounds per year)
Austria.....	2,770	81.4
Belgium.....	2,950	92.4
Denmark.....	3,195	149.6
France.....	2,890	123.2
Germany (Federal Republic).....	2,775	79.2
Greece.....	2,600	35.2
Iceland.....	3,165	121.0
Italy.....	2,580	39.6
Netherlands.....	2,870	65.2
Norway.....	3,030	81.4
Portugal.....	2,870	39.6
Sweden.....	2,170	112.2
Turkey.....	2,680	33.0
United Kingdom.....	2,080	118.8
United States.....	3,320	176.0

(For security reasons, the following tables were not cleared for inclusion in the printed hearings: Estimated tax revenue as percent of gross national product; total assistance and total dollar aid to participating countries; projected index of per capita consumption; gross national product, military expenditures and military expenditures as percent of gross national product, fiscal year 1951-52.)

Mr. PORTER. May I also, Mr. Chairman, say that any time convenient to the committee I am prepared to discuss the following questions which were raised in your discussion yesterday: One is the amount of exports to be expected from the countries of Europe to the rest of the world, which is in response to a question raised by Mr. Herter.

Secondly, I am prepared to discuss at any time the amount and the consumption of the pipeline, in response to the question of Representative Vorys.

Mr. Vorys also asked for a discussion of the commodity breakdown of the proposed aid during this coming year. I am prepared to discuss that, or a little later Dr. Fitzgerald, who is more expert on that than I am, will be here and can discuss it.

At some time I would like to make just a few remarks on one part of the proposed legislation, which would authorize the President to transfer funds from economic assistance to end-item procurement, or vice versa, and also to make some transfer as between titles.

Yesterday I gave a step-by-step analysis of how we arrived at our estimates of economic aid that is needed.

I am also prepared, if you wish, to give you an estimate on the amount of military production in Europe since 1948, including our estimates of military production during the coming fiscal year, and also a statement on the amount of contracts which have been let in most of the countries of Western Europe, that is, contracts for military equipment.

I just wanted to inform the committee, Mr. Chairman, I will be glad to go into those topics any time they wish.

Chairman RICHARDS. Did I understand that you are prepared to testify on that point or submit a statement on each one of those points?

Mr. PORTER. As the committee wishes, either to testify in answer to questions, make an oral statement, or submit a written statement.

Chairman RICHARDS. I think the best thing to do in view of the fact that some of the members who are particularly interested in one or more of those questions, and who submitted questions on the subject yesterday are not present, is for you to go ahead with your planned testimony and we will take that question up later.

Mr. PORTER. Mr. Chairman, in discussing the proposed economic aid to each of the countries in the OEEC, do you wish to have me proceed alphabetically or do the members wish to ask about a particular country and have me respond to that particular country?

Chairman RICHARDS. I think you better go ahead on the order you have planned to testify, and we can raise questions later on any particular country.

Mr. PORTER. Yes, sir. I am quite agreeable, Mr. Chairman, to go ahead and be interrupted by questions as I proceed on each particular country, or I can go through all of them at once and have questions.

Chairman RICHARDS. In testimony of this nature I believe there will be interruptions. You may go ahead on that basis.

(Discussion off the record.)

Chairman RICHARDS. In your balance of payments estimates in regard to Austria for 1951 and 1952, you have anticipated that Austria will import \$139,500,000 from dollar sources against \$120,000,000 for the last fiscal year.

Why should Austria be encouraged to import more this year than last year when she cannot make any contribution to this over-all defense program?

Mr. PORTER. I believe, Mr. Chairman, without referring to the figures at the moment that the figures you gave refer to their imports strictly from the dollar area and not the total area.

Chairman RICHARDS. I think so.

Mr. PORTER. That increase, for the most part, is accounted for by an increase in raw materials and their prices which Austria must import.

(Discussion off the record.)

Mr. RIBICOFF. For my information, if the rest of the committee does not want it I will not burden you with it, just what economic improvement has taken place during the last year in each country, what is the present condition in each country that would require over-all aid, and what, in general terms, will that aid be; will it be machinery, food, and so forth? Will you just spend a few minutes on each country as you go along?

Mr. PORTER. Yes, sir. If there are no other questions on Austria, I will turn to Belgium and Luxemburg, taking them together.

Our net aid to those two countries last year was \$45 million. There was dollar aid amounting to a little over \$74 million. But, in turn, Belgium and Luxemburg contributed to other European countries through the European Payments Union a little over 29 million.

The net aid they received was \$45 million. This year we have an increase. There would be no need for any economic assistance to Belgium and Luxemburg this year if it were not for the assistance given to help them rearm.

The proposed economic aid during this coming year will be used to finance larger imports of raw materials and machine tools for military production.

Mr. RIBICOFF. Why should a country like Belgium, which is so prosperous and has the Belgian Congo, have to receive aid?

Mr. PORTER. This is based upon a much higher estimate of military expenditures in Belgium. If they do not undertake a military effort of the size of which we believe they are capable, they will not receive economic assistance in the amount proposed.

Mr. RIBICOFF. My guess is that Belgium is as well able to earn dollars as any other country in the world. Besides its raw materials, Belgium must have investments all over the world which bring in large amounts of dollars. I think they should be on the helping side instead of the receiving side. I was in Belgium in 1949. There was no question but that it was a prosperous country and it did not seem to be in want.

If it were not for the arms program, Belgium would definitely be on the plus side of the ledger next year. I would hope they would be on the giving end instead of the receiving end.

(Discussion off the record.)

Chairman RICHARDS. Is it not a fact that Belgium is, according to your figures, the only country that was importing from the United States, in this group, whose exports will be less next year than the last year?

I was wondering why that is—if it is due to some of the things that Mr. Ribicoff was talking about.

Mr. PORTER. I will have to check our figures before I can say that is the only country whose exports would be less.

Chairman RICHARDS. Last year you said they exported 310 million and 300 million this year. I think that is the only country in this group where that is the case. Evidently that reflects some of the conditions you are talking about.

Mr. REECE. In what respects is the Belgian economy much below the 1938 status?

Mr. PORTER. It is below the 1938 standard, you say?

Mr. REECE. In what respects is it?

Chairman RICHARDS. I wanted to know that difference, and what you think is the basic reason for that difference in estimating imports. Most of the other countries are on the rise.

Mr. PORTER. Mr. Chairman, I do not want to bluff on an answer. I will have to ask for an opportunity to refer to that later in my testimony, if I may.

(The following information has been supplied for the record.)

BELGIAN IMPORTS FROM UNITED STATES

(In reply to Mr. Richards' question)

In 1950-51 Belgium imports from the United States amounted to \$310 million and in 1951-52 it is estimated that Belgian imports from the United States will amount to \$300 million.

The basic reasons for this assumed decline in imports are as follows:

1. Belgium imports in considerable volume certain types of manufactured goods and raw materials from the United States which are not expected to be as easily available in 1951-52 as in the past. Among these are auto parts for the assembly plants in and around Antwerp, cotton, essential chemicals, fine alloy metals, machine tools. While Belgian demand for these goods to support her production program will increase, it is quite possible that the demand may not be entirely satisfied.

2. Belgium may find it necessary to impose some restrictions on types of commodities imported from the United States. Belgium has been the outstanding example of a free-enterprise, free-trade country in Europe. Direct controls on imports from the United States have been purely nominal. If the strain on the Belgian dollar position caused by rearmament makes it necessary to introduce controls on imports from the United States, the volume of imports would of course be lower in 1951-52 than in the previous year.

The \$50 million aid which has been proposed for Belgium in 1951-52 will make it possible for the Belgians to maintain the level of imports necessary to support the rearmament drive. Without such aid Belgium might be forced to curtail the import of many essential items by means of very strict direct controls on imports from the United States.

PRESENT LEVEL OF BELGIAN ECONOMY COMPARED TO 1938 LEVEL

(In reply to Mr. Reece's question)

In virtually all respects the present Belgian economy is stronger than the prewar economy.

Agricultural production is slightly higher than in the prewar period but industrial production is now about 40 to 45 percent higher than in 1938. One exception

to the bright production picture is the coal mines which have suffered from insufficient investment. Recent fresh investment and new methods borrowed from the United States have already resulted in higher production but more strenuous efforts along these lines will be needed to raise output to prewar standards.

Over-all consumption is difficult to measure, but from what we are able to check it appears to be about equal to prewar.

Mr. VORYS. Is there in here a summary of the aid figures? We received them some time ago, and I left mine at the office.

Mr. PORTER. The aid figures in the book that you have there are given in respect to each particular country. There is not a single sheet of paper showing that, but I have submitted such a list for the record.

Were there other questions with respect to the proposed aid to Belgium?

Chairman RICHARDS. Of course, I think those of us who went over to Europe on this trip had the definite impression there was less need for some of the things we are doing in this program in Belgium than anywhere else in Europe. I think probably in relation to that question you can, as you have just suggested, put your reasons in the record for that.

Mr. RIBICOFF. I think Belgium is the type of country that would be able to take what the gentleman from Ohio has been constantly talking about, if there should be aid: loan money and not give-away money. If they need \$50 million, it should be a loan rather than a gift.

(Discussion off the record.)

Mr. JUDD. In one way I do not blame the Belgians for being missed. They have done the best job over there and they get penalized for it. The ones who do the worst job, they get the most aid. Right at the end of the war the Belgians froze 80 percent of the bank accounts to avoid inflationary pressures before production was restored. They resisted socialistic hand-outs and under free enterprise they did it well, and we punish them for it.

Mr. RIBICOFF. They had a going plant at the end of the war and was the only country in Europe that had a going plant. They were making arms and everything for the Germans. The war ended and every other European country had to build from the bottom. Belgium was an immediate supplier.

Besides they have the uranium deposits in the Belgian Congo. I think it is an unfair statement.

Mr. JUDD. I do not think it is. No country in the world tightened its belt right at the start as tight as the Belgians.

Mr. VORYS. I was in Antwerp in 1945. V-1's had plastered Antwerp. You say they did not have any war damage, but it looked like war damage there.

Mr. JUDD. I would like to ask your economic experts if what I said is not true.

Mr. PORTER. I think it is substantially true, Mr. Judd. They received very great damage to the port of Antwerp, and there was considerable destruction to their manufacturing plants. They also lost quite a bit of housing. They have made a fine recovery.

There are, however, some exceptions to that. They have been very backward in the modernization of the coal mines. We have only had partial success so far in inducing them to undertake a modernization program.

In accordance with their undertakings in the Schuman plan they are making a start. The Belgian record, on the whole, is a good one in Europe.

Mr. Judd. Is it not true that after the war they froze the potential purchasing power, and they rejected a hand-out program with all of its attractive features to win votes, in order to protect the soundness of their currency and get their economy on a sound basis?

Mr. PORTER. In the period immediately following the war, they pursued an imaginative financial policy.

Mr. VORYS. I understood from our colleagues who were over there that Belgium had a manufacturing complex that could be the arsenal of Europe, but that the difficulty was that the other countries could not get Belgium to make stuff for them. What is the amount they get?

(Discussion off the record.)

Mr. VORYS. Are you going to actually make your program consist of machine tools and raw materials, and free their dollars to buy food, and so forth; is your program going to be just what they need for military production?

Mr. PORTER. As you know, Mr. Vorys, we have to take into account the total availability of dollars. It does not make a great deal of difference if the aid we give them is used to buy equipment, raw materials or the import of cotton or food, if the management of their total resources is satisfactory.

(Discussion off the record.)

Mr. PORTER. I do not think it would be wise to restrict ourselves just to the purchase of machine tools and raw materials that will go directly into military equipment.

Mr. VORYS. I thought in talking to Mr. Cabot and other witnesses earlier that one of the advantages of the ECA formula was that we could make sure they got what we thought they needed.

I think this year it is particularly true. If we only furnish them with the part of the stuff they need for military security, that would apply. I thought that was the way we were going to do it this year.

Mr. PORTER. I do not at the moment recall that part of Mr. Cabot's testimony.

Mr. VORYS. Let us say I said it.

Mr. PORTER. We could, of course, specifically earmark a particular million dollars for raw materials that would be used for a military purpose. That is not the most efficient or most effective way of directing the aid.

We calculate their total requirements, their total availability of dollars for the purchase of their imports, and that gives their net deficit for which they will need foreign assistance.

If within their total resources the Belgians maintain adequate controls over investment and consumption in order to attain a high defense expenditure, it is really immaterial whether the dollars provided by ECA are used to import essential foodstuffs or aluminum which may be used in military goods.

Mr. VORYS. Is that the end use for ECA, to make sure that is done? Is not what you are saying totally out of line with what we have been driving at for a couple of years, to make sure what we furnish is going to go into recovery purposes, and so forth? This year the purpose,

I understand, is that Belgium would not get a nickel unless it was for military production.

Mr. PORTER. That is right, sir.

Mr. VORYS. I do not follow you at all on the idea, "Well, we will furnish them so many million dollars worth of stuff and that is the most efficient way to do it."

Mr. PORTER. I do not mean to convey the impression, Mr. Vorys, that what I said, was inconsistent with the procedure of limiting procurement with ECA dollars to a specified list of commodities.

My only point is this, it does not make any difference in the end result whether the dollars that we propose to give them are used to purchase cotton and food imports or whether it is used to purchase raw materials and machine tools, because it is the total we are concerned with. We will not give them any aid unless they agree to undertake a military program of the size which we are proposing to them.

Chairman RICHARDS. That is a good argument, to put it all in one bucket and let somebody take entire control of the thing and not call it ECA or military aid or—

Mr. VORYS. Just a grab bag.

Chairman RICHARDS. I do not know but what that is right. I do not know about the grab-bag business, but that is what we have been discussing here, Mr. Judd, just like you said about pouring it in one side of the jug or pouring it in the other side of the jug.

Mr. JUDD. I think that is right. As long as they follow through to see that it goes in, our aid might go into one phase of the economy which would release their own resources for use in other parts of the economy. As long as it achieves the military objective I think that is a more flexible and better way to do it.

Mr. PORTER. Mr. Vorys, we are concerned with their total use of the resources and not just a particular segment. This does represent an evolution of our thinking of the past few years. We cannot be concerned just with that section of the economy which we finance. We must be concerned with the total use of their resources.

Chairman RICHARDS. I do not think you were here yesterday afternoon at the time in Mr. Porter's testimony when he was asked whether or not one Administrator appointed to handle this whole thing could not do a good job, and he said he did not see why he could not. That was along with his testimony here.

Mr. VORYS. I may have missed that, but here is the big question. Three years ago, when this thing started, it was balance of payments and dollar shortages, and the dollar shortage all over Europe was so big and the need was so great that there was great justification for pouring in dollar goods, and it didn't make much difference where you poured it in.

Now, that is all over. ECA is about over. All we are justified in doing now, and that is what we are told we are doing, is saying, "You do not get anything for your economy at all unless it goes right square into mutual security." So that this whole idea about the teapot, and so forth, it seems to me has vastly changed. I confess I am greatly disappointed to find that you are not grooving the ECA support to exactly the stuff, so that we can have some end use follow-up.

Mr. PORTER. I think we are tying it to their military effort, Mr. Vorys. As I stated before you came in, Belgium would not qualify for any aid this year if it were not for the military program which we hope they will undertake. If they did not undertake a military program of the size which we are proposing to them, then they would receive less aid and probably none at all.

Chairman RICHARDS. Mr. Mansfield was asking you a question.

Mr. MANSFIELD. Mr. Porter, am I right in assuming from what you just said that the ECA did give serious consideration to the possibility of withdrawing Belgium from under the ECA?

Mr. PORTER. Yes. Belgium would receive no aid at all now if it were not for the rearmament program.

Mr. MANSFIELD. Are there any other countries that you consider taking out from under the ECA this fiscal year?

Mr. PORTER. Well, we have ceased aid to four already—the United Kingdom, Portugal, Ireland, and Sweden.

Mr. MANSFIELD. Sweden is a late one then.

Mr. PORTER. We concluded aid to Sweden very recently.

Mr. MANSFIELD. Yes.

Mr. PORTER. I think it would be fair to say that by the end of this year there would be no countries receiving aid under ECA except Austria, Greece, Iceland, Western Germany, Turkey, and perhaps Denmark and Italy.

Mr. JUDD. Would not Italy be getting some under ECA?

Mr. PORTER. I think by the end of the 1952 fiscal year Italy would be just about ready to break even. We could discontinue aid to some countries even earlier.

Mr. CHIPERFIELD. How about Norway?

Mr. PORTER. I think Norway, by the end of the year, could be self-supporting if it were not for its military program.

(Discussion off the record.)

Mr. MANSFIELD. What about their balance of trade from the Congo? They have huge copper deposits down there. I understand it is an important source of uranium, and undoubtedly there are other natural resources, which puts the Belgians on a pretty sound footing, plus the fact that they are a first-class manufacturing country in certain lines of business.

Mr. PORTER. As a matter of fact, while the Congo is rich, actually the Belgians are putting more into the Congo than they are taking out, to the value of \$15½ million.

Mr. VORYS. No. You do not expect that next year. Not according to what you have here in your own table of figures.

Mr. PORTER. Oh, I was looking at the wrong column, Mr. Vorys. That was last year. This year we anticipate an even break in their trade with the Congo.

Mr. MANSFIELD. Then their deficit comes from their economy at home, that is, in Belgium itself?

Mr. PORTER. Right, sir. As a result of the increased rearmament.

Mr. MANSFIELD. Then it would appear to me that the increased rearmament would rebound to the benefit of their economy, because they will be getting items which we will supply, but in return they will, because of the peculiar nature of their economy, I assume, be able to manufacture practically all of the small arms they need.

Mr. PORTER. We anticipate they will supply not only a great deal of the small arms for their own needs, but will be able to contribute some to other countries of Europe, which we hope they can be persuaded to do on a gratis basis. We have already proposed that to them. They have not yet agreed to it, but we intend to continue to urge them to do it.

In order to make the fullest possible use of the very good manufacturing facilities in Belgium, it would be necessary greatly to increase their import of raw materials, and also to receive some additional machine tools in order to make the most efficient use of the manufacturing facilities they have.

Mr. MANSFIELD. Then that would come under the ECA amount?

Mr. PORTER. That is right.

Mr. MANSFIELD. That is all.

Chairman RICHARDS. Mr. Chipperfield.

Mr. CHIPPERFIELD. Suppose there were 12 or 13 specific programs that needed economic aid in Belgium? For instance, they might make radar, or signal equipment, or something like that, and they needed economic aid for those purposes. Then you ask them to increase their military expenses X millions of dollars. I can understand why you would want to make up for the use of those dollars in the extra military effort from what they are doing now, but why is there not a criteria whereby you add that figure, and the specific program figure, and that is what they get, and not go further and give them wheat or something else along that line that will go into their general economy.

Mr. PORTER. Let me see if I correctly understand you, Mr. Chipperfield. You mean we should add together the economic assistance plus the value of the military end-item assistance to arrive at an overall total of aid for Belgium?

Mr. CHIPPERFIELD. I am not including the military, but just including the economic. For instance, in Norway they told us they had six or seven specific programs that they would need so much for. One of them, I think, was signal equipment. They need raw materials to carry out the program. We are going to furnish the help needed under ECA. Then besides, they will have to increase their military establishment by X dollars. Then those X dollars will be taken out of their general economy. Why is not the total amount of aid needed, the sum of those two types of programs, the increased military cost plus specific programs?

Mr. PORTER. I will try to clarify that point, Mr. Chipperfield. Let us take a particular program for electronics manufacture.

The total value of that might come, let us say, to \$25,000,000, but only, let us say, \$5,000,000 of that would come from the United States. Another \$10,000,000 might come from their own resources, and a further \$10,000,000 from other European countries, which would be financed through the European Payments Union. But if we tried to tie our financing of the Norwegian deficit specifically to these particular programs, we would find that we were in a strait-jacket from the standpoint of financing them, since only a part of it would come from the United States.

Mr. CHIPPERFIELD. I was assuming no economic aid would be necessary. I was not thinking about a country where there might be a

deficit, but about a country where ECA would be cut off if it was not for the military program.

Mr. PORTER. Yes. As I said, we would not give any aid to Belgium if it were not for the rearmament program, but it is very difficult to tie our aid to these rather specific programs, because it is necessary for them to divert some of their resources which would otherwise go to earn foreign exchange through exports into this rearmament program.

So what we have to do is consider their total economic picture and relate their aid to the net deficit which is arrived at by the military effort plus the normal imports.

Mr. CHIPERFIELD. I was hoping we could get away from giving ECA aid for general purposes such as for food consumption, and we could confine it to military purposes rather than general purposes.

Mr. PORTER. I understand your purpose, Mr. Chiperfield, and I wish it were possible to relate every dollar that we give to a specific dollar's worth of arms produced in a particular country. We could do it, but I think it would be deceiving ourselves in doing so, and we would be putting ourselves into something of an administrative strait-jacket in doing it.

May I say, Mr. Chairman, I am sure members of the committee realize I am a substitute witness from the second team, and if I am not able to give a precise and comprehensive answer off the top of my head, it does not necessarily mean the problem has not been fully examined. It may more likely mean just a personal shortcoming on my part in the ability to give the answer the committee desires.

Mr. JUDD. Who is your opposite number in the first string? Mr. Bissell?

Mr. PORTER. Right. He is the first team.

Mr. VORYS. How is he coming along?

Mr. PORTER. He will be back on Monday.

Mr. JUDD. Mr. Chairman, this is as good a time as any to have this out. Why should we have to be making minesweepers for Belgium? Europe used to have more shipbuilding capacity than we did. Among all our allies over there, is there not one country that could make those minesweepers in return for Belgian small arms, and then Belgium would not have to give her small arms to somebody gratis? She would be getting minesweepers in return. Italy used to have a shipbuilding industry. They built a couple of luxury ocean liners—the *Rex*, and another. Could they not build minesweepers? They have unemployment there.

Mr. PORTER. In my opinion they can, Mr. Judd, and we have tried to put a great many more orders for end items in Europe.

(Discussion off the record.)

Mr. JUDD. Let us use Italy as an example. Will you explain to me why we should not use shipbuilding yards in Italy, even if we have to furnish the money, rather than build them here? It costs us less money to have it done there, and it does not make an extra burden on our own overemployed economy.

Mr. PORTER. That is the purpose of our economic assistance.

Mr. JUDD. We know it, but why do we not do it? Is it because you do not know the answer in this case? I wish somebody could get me the answer to it. Norway built ships, and England built ships, and Holland built ships. I do not know whether France did or not.

Mr. PORTER. We are endeavoring to get these mine sweepers you are referring to built not in Belgium, but in the Netherlands. We are trying to get that done.

Mr. JUDD. What is the answer? This is a concrete illustration. We talk in generalities, but here is a concrete problem, where Belgium can pay others in her goods if they will make mine sweepers for her.

I cannot figure out why we have to give mine sweepers to Belgium.

Mr. CHIPERFIELD. Because they wish us to give them away.

Mr. JUDD. I brought it up in Belgium half a dozen times and never got an explanation. If we could get one of the concrete questions answered I would have more confidence that I can put faith in the general answers to other questions.

Chairman RICHARDS. Mr. Porter, here is the thing that concerns me about this proposal when it goes to the House here. You have three categories I am talking about in MDAP and in ECA. You have three categories in those two over-all things. One of them is MDAP strictly, as such. That is military aid, of course. Then you have economic aid for military production. Then you have straight, honest-to-goodness ECA, as such.

Now, I have not been able to find out from these figures exactly how much is bona fide ECA aid and how much is aid for military production, exactly, that is, economic aid for military production. Of course you can get the MDAP figures because you have that.

Now, is that in the record? Does the set figure for just ECA, as such leave nothing to do with military production, in there? We go all around the end and come back here, and that amounts to military production; but I want to be able to tell the Congress when we go down on the floor of the House just how much old-fashioned ECA is in there without having anything to do with military production. Either that, or tell them it all has something to do with it.

Mr. CHIPERFIELD. Mr. Chairman, that is the reason why I asked the question a minute ago. I wanted the same thing.

Chairman RICHARDS. As I understood it, Mr. Chiperfield, you were saying why not start out on the basis that this country needs so much aid for military production, and then you accomplish that goal, and if they need something else in the other bracket then say that is on that basis.

Mr. CHIPERFIELD. That is it exactly.

Chairman RICHARDS. Somewhere I would like to have that in the record.

Mr. CHIPERFIELD. Mr. Porter says that it is impossible to put them in separate categories.

Chairman RICHARDS. I know, and we will be all mixed up too when we go down there.

Mr. PORTER. Mr. Chairman, we have given a good deal of thought to that problem over the past several months, and we have reached the conclusion that we cannot give you an honest answer as to how you would draw the line between economic aid as of the type given in the past, and economic aid for military purposes, because to do so we would have to make a lot of arbitrary assumptions which are not necessarily true. We would just have to—

Mr. JUDD. You would be kidding us.

Mr. PORTER. I think I would, Mr. Judd, and I do not believe it would be fair to give you a figure which is not an honest figure.

Mr. RIBICOFF. Mr. Chairman, I think you have a very good point. We might be spending a lot of time on this, but we have some principles to determine, and then we will not have to do it on the other countries.

Haven't all of you gotten yourself into this box which you could foresee coming, because you might have thought that the only way to sell this over-all program to the Congress is to tie military strings to it, and you are now forcing this into the military channel?

I believe this to be the wrong approach, because a lot of this is pure economic assistance out and out. I think we would be in a better position on the floor if we could say here, "Most of this is for military, but some of it is for economic." And, we ought to know it.

(Discussion off the record.)

Mr. RIBICOFF. I think if we get those problems straightened out in our own minds, ECA is better off, and we are better off for the floor.

Mr. JUDD. And which we can defend.

Mr. RIBICOFF. That is right.

(Discussion off the record.)

Mr. VORYS. That is what I mean. There is a figure there. Belgium produced some military production, I presume, right through from when they got back in 1945, did they not?

Mr. PORTER. Yes. 1946.

Mr. VORYS. And Belgium was in balance and was only getting loans or EPU money last year, no grant aid at all. Is that not right?

Mr. PORTER. Belgium received net grant assistance last year in the amount of \$45,000,000.

Mr. VORYS. Now, how much military production did they produce last year when they were in balance?

Mr. PORTER. They produced—may I give you the figures for 1949, 1950, and 1951, and our forecast for the new fiscal year?

Mr. VORYS. Yes.

(Discussion off the record.)

Mr. CHIPERFIELD. What criteria do you use in judging whether a NATO country is doing its share in the common NATO effort? Could you give us a specific country illustration?

Mr. PORTER. Yes. Let us take a case of Belgium, Mr. Chiperfield, since we are discussing that now. We begin with the commitments which the Belgians have made to NATO. That is, their commitments for the present year.

On the basis of their commitments as to the size of the ground forces, plus air forces and naval forces, their requirements are estimated by the Belgian Government and checked by our military mission in Belgium. That is the second step. The first step is their commitment.

The second step is to translate those commitments of forces into terms of equipment.

The third step then is to deduct from these total end item requirements the following things:

First, what equipment do they have already;

Secondly, what is on its way either through MDAP or being procured in other European countries;

Thirdly, what are they undertaking to produce for themselves?

At that particular point the United States military mission in Belgium consults with the ECA mission as to a judgment on what the Belgians could produce for themselves.

Mr. CHIPERFIELD. What criteria do they use for that purpose? How do you know whether they are making a real effort or not?

Mr. PORTER. Well, I was just doing this step by step.

(Discussion off the record.)

Mr. PORTER. Another criterion is, are they making full use of idle facilities or facilities that could be converted from the manufacture of nonessentials to military equipment.

Thirdly, what is the size of their military budget as an over-all estimate.

(Discussion off the record.)

Mr. PORTER. We do not believe that they have made adequate use of their facilities and that is where the ECA mission comes into the picture in estimating what could be produced.

Finally, we have the estimate of their military budget.

(Discussion off the record.)

Mr. ROOSEVELT. What is it for? Tell us what it is for.

Mr. FULTON. Would you please divide it into those two categories.

Mr. PORTER. It is very unreal to try to attribute this particular margin to specific commodities.

Mr. FULTON. What percent then is equipment, and what percent is basic commodities, approximately?

Mr. PORTER. I cannot tell you that at the moment, Mr. Fulton, because our approach here, as I would like to repeat again for the benefit of some of you who were not here earlier, is this: We are concerned with the total resources of a country. Its total fiscal, monetary and credit policies. Its total imports and total exports. It is only as we look at the whole picture that we are able to judge what a country is capable of doing, and we are trying to relate our aid to the extent to which they fulfill that of which they are capable.

Mr. FULTON. Then you are proceeding solely on a balance of payments basis. Is that not right?

Mr. PORTER. A balance of payments basis, Mr. Fulton, which takes into account the total economy which supports their military efforts on the basis I described yesterday. That is to say, the total national product; their consumption level; their investment policy; their total employment; their military budget; all of which we have made forecasts of in order to arrive at a balance of payments.

Now, as I explained yesterday, we are not accepting a balance-of-payments estimate made by the country itself. We have made our own balance-of-payments estimate on the basis of our estimate of what they are able to do with the resources which either they themselves have, or which can be added through American aid.

Mr. FULTON. Then does that balance-of-payments figure include prior indebtedness, governmental and private, which has been previously contracted? Are there any payments on prior indebtedness of the Government or private indebtedness previously contracted in that balance-of-payments figure?

Mr. PORTER. You mean a transfer of foreign exchange out of that country to some other country?

Mr. FULTON. What they owe on previous debts. Is that in there too?

Mr. PORTER. If they are servicing those debts, that is taken into the calculation.

Mr. FULTON. Are any principal amounts taken into the calculation too?

Mr. PORTER. If those are being paid they are taken into account either as an increment or as a loss of foreign exchange.

Mr. FULTON. So as to the amount that is being paid on principal on debts previously incurred within this balance-of-payments figure, we in the United States are not putting the money in for productive uses, but are paying off old debts.

Mr. ROOSEVELT. Not when you are looking at it as a whole.

Mr. VORYS. Will the gentleman yield?

Mr. FULTON. Could he answer that one?

Mr. PORTER. Well, the net effect is not changed by this since if we take into account the payment of, let us say, France to Belgium, it shows up on both sides of the ledger. If we take into account what Belgium has received and what France is paying out, one cancels the other.

Chairman RICHARDS. Mr. Porter, we have a teller vote on the floor. We will take a 10-minute recess.

(Whereupon a 10-minute recess was had.)

Chairman RICHARDS. The committee will come to order, please.

Mr. Porter, will you resume your testimony, please?

Mr. PORTER. Mr. Chairman, may I revert to a question which was asked by you and Mr. Vorys and Mr. Chipfield with respect to drawing a sharp line between economic aid, that is, economic aid for normal ECA types of assistance, on the one hand, and, on the other, the economic aid in military production.

We, of course, have anticipated that that question would be asked, and for several months we have been trying to find a way to answer it honestly.

Now, I can say a few things that will indicate where some aid is the former economic recovery type, and where some aid is strictly military. Then I will indicate the marginal area in between, where it is impossible to draw a precise line.

The aid to Austria is strictly economic aid. None of that is for military purposes. The same is true of the aid to Trieste. Of that we can be sure.

The aid to Belgium can be identified as strictly military. We can do that through the former AMP type of aid, but we think that the method which we propose will be more effective even though it is not specifically identified as military aid.

Then there comes a marginal area, which is perhaps best illustrated by the case of Italy. We can calculate the amount of economic recovery assistance that would be needed for Italy if there was no military program there. But, if we also assume that there will be a military program, then that means there will be increased employment in Italy. With the increase in the employment there is going to be increased consumption. That will result in a greater import of food and of cotton.

Now, we could make some guesses as to what that would mean, but it would just be an arbitrary guess on our part. It becomes very difficult in the case of Italy to draw a sharp line between economic recovery aid and aid necessary to get the additional military production. So, we have preferred to come to you and just say that we think

it is not possible to give a figure that we would support as being in a category with the other figures we give you.

Chairman RICHARDS. Is Austria the only country you would say would be the recipient under this bill of bona fide 100 percent ECA aid?

Mr. PORTER. Austria, Trieste, and I think we might say the same for Iceland, though there is a military contribution by Iceland in that they are providing some air bases.

Chairman RICHARDS. Yes.

Mr. PORTER. So probably the only two where we can say there is no military contribution at all would be Austria and Trieste. If we come to Greece and Turkey, obviously, a very substantial part of their aid is made necessary by military reasons.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. Does Belgium have a priorities and allocation law to channel stuff into military production and cut down on production of nondefense goods?

Mr. PORTER. I am informed, Mr. Vorys, that they do have some priorities controls which are now being put into effect. I do not believe that they are as yet comparable to those which we have in the United States.

Mr. VORYS. As to Belgium, we stopped aid to them because they upheld a judgment against ECA funds for Greece. What is the status of that matter now?

Mr. PORTER. That has been settled satisfactorily. We suspended aid to Belgium last March because a private Belgian company had gone into a Belgian court and attached some funds which had been deposited there by the Greek Government for the purchase of some steel rails and other railroad equipment amounting to a value of about \$7,200,000. We suspended aid to the Belgians, and then entered into negotiations with them that resulted in the Belgian Government in effect putting up the equivalent amount of money to enable the Greeks either to make purchases in Belgium, that is, to pay for the equipment which had been ordered, or to permit the Greeks to order some of the equipment from other countries.

Now, the Greeks had decided, in view of the delay, that they would not take all of the equipment which they had ordered, but preferred to use some of the funds to purchase other things in other countries. A satisfactory agreement was entered into between the Belgians, the Greeks, and ourselves. In short, the Belgians never officially acknowledged that their action was improper, but they have taken all the necessary steps to correct it.

We have made no allotment to Belgium since that time.

(Discussion off the record.)

Mr. VORYS. You fellows who went abroad heard about infrastructure. Give us an example of infrastructure.

Mr. PORTER. Examples would be barracks, airfields, and port installations.

General SCOTT. Those installations which are required to support an army in the field, such as communication lines, depots, airfields, and so forth, to permit the effective operation of the force in logistical installations.

Mr. PORTER. I do not know the origin of the word, but I do not think it is an American invention.

General SCOTT. It is French.

Chairman RICHARDS. Words like that do not bother me. I do not understand them and I do not ever expect to understand them.

Mr. JUDD. Are you through, Mr. Vorys?

Mr. VORYS. Yes.

(Discussion off the record.)

Chairman RICHARDS. Let us move along. We have another country, Denmark, and then we can take up some of the same questions on Denmark. We will find out whether there is anything rotten in Denmark.

Mr. PORTER. I would like to make this additional comment on the questions Dr. Judd has been raising. I think it is an undisputed fact that there is capacity in Europe for additional military production that is not fully utilized, and I think it is our job to see that it is utilized.

Mr. JUDD. That is right.

Mr. PORTER. I do not think we should send anything from the United States that can be produced there unless the time factor is overriding.

Mr. JUDD. That is right.

Chairman RICHARDS. Really, I think it is a little unfair to Mr. Porter. He was brought up here at the last minute to do a job that really was not intended to be his job. I think if he will go ahead on these countries, we can get Mr. Bissell later on to tell us how to go at this thing in each country in addition to Mr. Porter's testimony, and we will move along in that way.

Mr. VORYS. I wondered if we would go ahead alphabetically.

Chairman RICHARDS. We decided we would go along alphabetically the way we have them on the list.

Mr. PORTER. I would have preferred not to have them alphabetically because Belgium is one of the most difficult ones to develop.

Chairman RICHARDS. Maybe that is the reason you suggested we might follow another procedure. But anyway, let us go ahead and take up Denmark.

(Discussion off the record.)

Mr. PORTER. Now, it has made a very fine recovery in both industrial and agricultural production. It is having a great deal of difficulty in selling its meat, especially bacon, abroad; partly because Britain has been its chief market and the British—

Mr. VORYS. Are too poor.

(Discussion off the record.)

Mr. PORTER. One of the things we are pressing them to do is to be more aggressive in marketing their agricultural products. If they are not going to be able to market bacon, shift to some other type of agricultural production.

Are there any particular questions about Denmark that you wish me to expand on?

(Discussion off the record.)

Chairman RICHARDS. Let us take up France then, Mr. Porter.

Mr. PORTER. Right, sir.

Chairman RICHARDS. I believe that is next.

Mr. PORTER. Right. Our total aid to the French last year, all given as direct dollar assistance, was \$423,000,000.

(Discussion off the record.)

Mr. PORTER. In terms of their fiscal year, that is, on a calendar year basis, their defense expenditure during 1951 is \$2,614,000,000, as against \$1,800,000,000 in the preceding year. That is to say, approximately a 50-percent increase.

Now, France is one of the countries which we think that by the end of June 1952 would have been able to stand on its own feet if it were not for the military effort they have undertaken. You will bear in mind that France is making a contribution in the construction of bases, and the so-called infrastructure.

Mr. VORYS. Who pays for that? As long as we have this balance of payments business maybe it makes no difference, but do we pay for the land for landing strips and infrastructures?

Mr. PORTER. Mr. Halaby, would you wish to answer that?

Mr. HALABY. The answer is, "No," Mr. Vorys. That is in the process of negotiation in NATO at the present time. We do not intend to pay for land or for local utilities, such as water and power, and so forth.

Mr. VORYS. I mean, is that land for infrastructures?

Mr. HALABY. Yes, sir. That is another element in their military expenditures in addition to the military production that they are paying out of their military funds which Mr. Porter described a moment ago. It will be an increasingly large sum to support the tactical air bases that provide the air cover over the American troops and other troops. It includes all of the other elements, such as port facilities, communication net works, military roads, and so forth.

Chairman RICHARDS. Let us see, Mr. Porter. You plan to have France import \$600,000,000 from the dollar area in the next fiscal year, against \$490,000,000 of imports in the last fiscal year. At the same time you show that France would have a dollar export of \$255,000,000, and that is \$30,000,000 less than the \$285,000,000 exports last year.

Mr. PORTER. That is right.

Chairman RICHARDS. Now, why should they import more next year when I understand the general effort was just the opposite?

Mr. PORTER. The reason for that, Mr. Chairman, is we expect the French to be making very substantial diversion of their own resources to arms manufacture. They will have less goods to export because some of their manufacturing facilities will be diverted to armament manufacture. At the same time they will have to import more in order to get the raw materials that they will need for armament manufacture.

Chairman RICHARDS. I think last year you made an estimate that the dollar deficit of France would be \$549,000,000, and it turned out that it would be but \$310,000,000. I believe that is what it was and that is a pretty big difference there. I mean, your figures show it was \$310,000,000. I do not know what the cause of that was.

Mr. PORTER. That was our estimate at the time. Do I understand you to say we estimated last year their deficit would be \$549,000,000?

Chairman RICHARDS. That is right.

Mr. PORTER. And it turned out to be \$310,000,000?

Chairman RICHARDS. That is in your appropriation request last year.

Mr. PORTER. I think the principal explanation for that, Mr. Chairman, is that as you know there was a very substantial boom as a result of the events in Korea. The French were able to take advantage of that to increase their exports to a higher level than we had anticipated, and they were also slow in getting under way with their defense effort.

Chairman RICHARDS. I understand also they increased their dollar position by exporting a good bit of industrial alcohol.

Mr. PORTER. That is right.

Chairman RICHARDS. That is used in the production of synthetic rubber over here.

Mr. PORTER. That is right.

Chairman RICHARDS. Anyway, you figure that if it were not for this program we are starting with the military aid with France in a key position and in an essential spot on the whole thing, that France would be on her own now?

Mr. PORTER. Not now, but by the end of the year 1952. I think it would be a tight squeeze, but they would be able to stand on their own feet.

Chairman RICHARDS. Are there any other questions on France?
(No response.)

Chairman RICHARDS. If not, we will go to the next country.

What is the next one?

Mr. PORTER. The next one is Germany, sir.

Mr. JUDD. Does that mean just our zone?

Mr. PORTER. No. That means the Federal Republic, including everything except the eastern zone.

Our aid to Germany last year was \$384,758,000.

(Discussion off the record.)

Mr. PORTER. Germany has been making a very substantial improvement during the past year, and we anticipate that that will continue. We also believe that the Germans can do a great deal more than they have thus far done in producing arms for the other countries of Europe.

We hope to get a great deal more military production under way in Germany than is now the case.

The imports of Germany last year from the dollar area were \$540,000,000. We estimate that their imports in the current year will rise to \$710,000,000. Their exports to the dollar area last year were \$320,000,000. We estimate this year they will rise to \$377,000,000.

Mr. JUDD. They wind up with a bigger unfavorable balance in the coming year than at present. Is that right? It is 241 this year, and you estimate 420.9 next year. No, it is a little better when you consider the settlements.

Mr. PORTER. Yes. I should add a word of explanation there, Mr. Judd. We anticipate that they will earn a considerable number of dollars as a result of the United States expenditures in Germany next year. That represented, included in the figure of total capital operations last year, \$60,000,000, and this year we estimate it will be a little over \$200,000,000.

Mr. JUDD. And they got \$128,000,000 from the European Payments Union, did they not?

Mr. PORTER. Yes.

Mr. VORYS. Are you through?

Mr. JUDD. Yes.

Mr. PORTER. No. That was a payment to the European Payments Union.

Mr. JUDD. They put that into their European Payments Union?

Mr. PORTER. That is right.

Mr. JUDD. The net settlement is that they put \$128,000,000 into the European Payments Union and did not get anything out?

Mr. PORTER. This is the net payment they made into the European Payments Union—\$128,000,000.

Mr. VORYS. On that they overdrew for a little while last year?

Mr. PORTER. Yes.

Mr. JUDD. They are paying back what they overdrew?

Mr. PORTER. They went beyond the quota which had been established for them, and, therefore, they had to pay.

Mr. JUDD. Yes. That is what I said. My language may have been a little different.

Chairman RICHARDS. All right. Take the next one now.

Mr. PORTER. The next one is Greece. The total aid received by Greece last year was \$288,500,000, of which \$173,500,000 was dollar aid, and \$115,000,000 was aid received through the European Payments Union.

(Discussion off the record.)

Chairman RICHARDS. The thing that bothers me about Greece is that it has just an economically impossible situation. They did a lot worse last year from an economic standpoint than we thought they would. The estimate of the dollar deficit last year was \$148,000,000. That is what you folks estimated, I think. The actual deficit was \$181,000,000. The estimated aid was \$147,000,000, and then you spent \$172,000,000 or \$173,000,000, which was actually supplied.

I reckon that is going on forever in Greece. I do not think they will ever get to the place where they do not need economic aid or some kind of aid.

Mr. PORTER. Mr. Chairman, you will recall that last year the military common-use assistance for Greece was computed separately in the total appropriation. The \$147,000,000 which had been estimated was the economic recovery aid of the normal kind. In addition to that there was, I believe, \$56,000,000 received by Greece for common-use items, that is, for military use of equipment that could be used either for civilian or military purposes, but was used specifically for military purposes.

Greece did better, in fact, than we had estimated when we asked for aid last year.

I am fairly familiar with those figures because at that time I was the chief of our mission there. We had contemplated that Greece would receive or would need \$263,000,000 of aid, of which \$147,000,000 or almost \$148,000,000 would be of direct dollar aid, and \$115,000,000 would be obtained through the European Payments Union.

In addition to that, there was calculated that they would need \$36,000,000 worth of common-use military items, which turned out later to be approximately \$56,000,000. But the amount of direct aid which the Greeks received, exclusive of the military common-use items, was substantially less.

Chairman RICHARDS. Wait a minute. You estimated \$147,000,000. You asked for that. Now, of the \$173,000,000, what did you say was added to that in those figures?

Mr. PORTER. All right, sir. May I just get my work sheet on that, sir?

Chairman RICHARDS. Yes.

Mr. PORTER. The composition of this \$173,000,000 is \$56,500,000.

Chairman RICHARDS. What is that?

Mr. PORTER. For common use military items, which was calculated separately from the \$147,000,000 which we had estimated Greece would need for direct economic assistance of a recovery character. The balance represents \$116,800,000 of direct dollar aid.

Chairman RICHARDS. Instead of the \$147,000,000?

Mr. PORTER. Instead of the \$147,000,000. So let us say \$117,000,000 instead of \$147,000,000, or a net reduction of \$30,000,000.

Chairman RICHARDS. Now, you are proposing a larger grant this year than you proposed last year to Greece. Is that right?

Mr. PORTER. No, if we take it on the basis of totals; last year, you see, the request was broken down into two parts. One was for economic aid and the other was for military common-use items.

(Discussion off the record.)

Mr. VORYS. Mr. Porter, what is your comment on the question of our chairman, as to whether the Greeks would always need some sort of economic assistance? What would happen in Greece, not from the Communists and not militarily, but what would happen in Greece if we quit all forms of economic assistance?

Mr. PORTER. If we were to quit immediately, I think that there would be an internal collapse in Greece. But I am profoundly convinced, sir, that we must proceed progressively to reduce the amount of American aid until the stage is reached when none will be needed. I believe that they can be made independent of American aid by 1954 or 1955.

Mr. VORYS. You do?

Mr. PORTER. Yes, sir. When I left Greece I believed that by 1954 they could become self-supporting. I have since revised that in view of the very rapid increase in raw material prices, and consider a year may have to be added to that date before the Greeks could become fully self-supporting.

However, I am convinced if we continue a program in Greece we can make the Greeks self-supporting in another 4 years at the most.

Mr. VORYS. I am encouraged to hear that.

Mr. PORTER. Well, sir, I think we have to be very tough about it in order to accomplish that.

Mr. JUDD. Mr. Porter, do those Greeks who are engaged in all sorts of shipping enterprises all around the world, and a whole lot of other enterprises, some of which are legitimate and some of which are sort of fast curves—do they pay proper taxes, so that they are assisting their Government?

Mr. PORTER. I think that matter has been straightened out, sir. I will describe that story very briefly.

In 1946 we sold 100 Liberty ships to private Greek shipowners, I would say at bargain prices. The Greek shipowners were able to make some very substantial earnings with these ships.

One of the conditions of sale which was imposed by the United States Government was that the shipowners would pay taxes to the Greek Government and the ships must be registered under the Greek flag. The shipowners, however, had been very delinquent in the

payment of these taxes. After the matter had dragged for about 3 years, I informed the Greek Government that we would have to suspend some of our aid to Greece unless they collected the delinquent taxes from the shipowners. They were very reluctant to take this decisive action, and we had to exert a great deal of pressure upon them.

Eventually, we did persuade the Greek Government to direct its consuls throughout the world to refuse shipping documents to all of the shipowners who were in arrears in their taxes. In a period of about 10 days the Government collected about \$10,000,000 worth delinquent taxes.

I think there is less than \$1,000,000 that is now delinquent.

Mr. JUDD. Are all those ships registered under the Greek flag?

Mr. PORTER. Yes, sir.

Mr. JUDD. Where did they get all the ships that I am told are owned by Greeks under the Panamanian flag?

Mr. PORTER. Those are ships they had already owned and transferred to Panamanian or other registry. But all of the ships which were sold to them by the United States Maritime Commission as a condition of sale had a requirement that they be registered under the Greek flag.

Mr. JUDD. And the Greek Government cannot get at the profits they are making on the ships under the Panamanian flag?

Mr. PORTER. It is very difficult for them to do that because these Greek ships do not touch Greek ports. As a matter of fact, many of the Greek owners do not live in Greece, but live in New York or London.

Chairman RICHARDS. All right, sir. Let us take the next one, please. It is Italy, I believe.

Mr. PORTER. Iceland I might comment on very briefly. The total aid to Iceland last year was \$12,400,000, of which \$8,400,000 was given in dollar aid, and \$4,000,000 through the European Payments Union.

(Discussion off the record.)

Iceland represents one of these difficult cases that makes it impossible for us to predict just when they will be independent of American aid. As you know, almost the sole industry is fishing, and they have not been able to reestablish the fish markets that they had before the war, or to maintain the fish catch before the war. It is possible that the schools of fish are shifting their locale to such an extent that it may be a very serious injury to the Icelandic economy.

Iceland is certainly one of the countries that would be in need of aid beyond June 30, 1952.

Mr. VORYS. You mean because of this fish business?

Mr. PORTER. Yes. Primarily because of that, sir.

Mr. VORYS. Is there anything else they can do except fish? I mean, would that mean a permanent need there?

Mr. PORTER. I would like to have leave to submit a further statement on the prospects for the Icelandic economy later, because I am not familiar with that, Mr. Vorys.

Chairman RICHARDS. They fished before the war, and they fished since, and they got along all right then. They had no military destruction there, and they had the advantage of dollars spent there. I cannot see this continuing with economic aid to Iceland in this picture.

Mr. PORTER. As I said earlier, Mr. Chairman, I do not want to bluff with any answer. I do not feel I can give a correct one at the moment, but I will consult the man who handles Icelandic affairs for us and submit a statement for the record.

(The following information was submitted for the record:)

ECA aid to Iceland is helping Iceland diversify its economy and render its standard of living less dependent on fluctuating fish catches and highly changeable export markets for those fish. The principal part of the diversification program is the development of Icelandic agriculture, which is being furthered by land drainage and reclamation, increased use of agricultural machinery, silo construction, and a nitrogenous fertilizer plant which ECA is financing. An increase in agriculture production will enable Iceland to reduce its imports of agricultural commodities and thus save foreign exchange. ECA has encouraged the more effective use and marketing of Iceland's fish catches; for example, the marketing of frozen fillets, which has increased its exports. ECA is endeavoring to accelerate the development of other Icelandic resources which may furnish additional export earnings. However, a diversification program will take considerable time to achieve any results, and in the meantime Iceland is dependent on ECA assistance to supply necessary imports without which its economy would have difficulty in operating.

(Discussion off the record.)

Mr. VORYS. The Norwegians, when the whales quit staying around Norway, chased the whales clear down to the Antarctic Ocean. If a country had to go on relief every time fishing got poor near it, and it is our obligation to take care of them, then we have got a dandy.

Chairman RICHARDS. But when fishing is poor, it is poor. I know. I am a fisherman myself.

Mr. VORYS. We have a little island up in Canada, my family and I, and the same thing happened to us that happened to Iceland. The fish do not live there any more, and I think we ought to get some relief.

Mr. JUDD. Maybe we should push more for that bill on the love life of the tuna fish in order to keep them reproducing.

Chairman RICHARDS. Yes; we might do something about that.

Mr. PORTER. I am happy to report, sir, that Ireland does not need any American aid. They received \$15 million last year, and are now no longer in need of aid.

Mr. VORYS. Would you care, or do the military wish to comment on the suggestions for amendments in this legislation that were proposed with respect to Ireland at our hearing last night?

Mr. PORTER. I know of the testimony last night, but since we are not giving any aid we are not in a position to exert any pressure for a united Ireland.

Mr. JUDD. A good answer.

You give aid to England, and it is in her hands as to whether or not there is a united Ireland, is it not?

Mr. PORTER. Well, we are not giving any economic aid to England.

Mr. JUDD. The Irish will get their own if you will just not give military aid to the British.

Chairman RICHARDS. How about Italy, Mr. Porter?

Mr. PORTER. Right, sir.

The total aid to Italy last year was \$237 million. That again is largely for the reasons that I have already stated, of the increased Italian military effort.

Mr. VORYS. When did you say Italy would have come out even if it had not been for this military effort?

Mr. PORTER. By the end of this year we believe that with a very low standard of living the Italians could become independent of American aid.

(Discussion off the record.)

I think Italy illustrates perhaps more clearly than that of any other country how difficult it is to draw a sharp line between economic assistance and military assistance, or economic assistance to obtain additional military effort.

As I said yesterday, Mr. Vorys, one of the reasons for that is that some of the unemployed Italians go to work and start earning a larger income. They are then obviously going to spend more of that income on food and clothing. Therefore, they will have to have increased imports of food and cotton in order to provide a somewhat higher level of consumption.

We have calculated that the level of consumption in Italy next year will be 3.9 percent higher than it is this year. You must bear in mind that the average national income in Italy is one of the lowest in Europe. It is \$286 per year. After their military expenditures it is \$266 per year.

Mr. JUDD. I saw in the paper last night where it is less than \$200 in Mexico.

Mr. VORYS. Here is a statistic that I had a member of our staff figure out for me; that is, out of our population the number of people spending their time on defense is 11 million; the Armed Forces, 3,500,000; defense production, 6,200,000; civilians in defense, 1,300,000. That is 0.71 or 7 percent of our population.

(Discussion off the record.)

Mr. VORYS. If you do not have it there do not stop to figure it out, but could you run off a comparable figure on not only those that are in the armed services, but those that are in the nonproductive or economically nonproductive work of making defense materials?

Mr. PORTER. If we are able to do so we most certainly shall, and I shall submit that for the record.

Mr. PORTER. I can give you the approximate proportion of men in active military service in 1951. I have that right before me. In the United States it is 21.2 per thousand. In Western Europe as a whole it is 12.6 per thousand, but excluding Italy it is 14.4 per thousand. With respect to Italy you know the size of the Italian Army is limited by treaty now to 300,000 men.

Mr. VORYS. Yes.

Mr. PORTER. So, excluding Italy, their ratio is about two-thirds of ours of men actively in military service.

Mr. VORYS. Not right now, but if you have not done it see if you can get somebody to run a figure off of how many per thousand in Europe are in defense production.

Mr. PORTER. I believe, Mr. Vorys, we can give you that exactly for some of the countries, and rough estimates for the others.

(The information requested is as follows:)

In addition to the 2,200,000 members of the Armed Forces in the nine European NAT countries, it is estimated that some 3,400,000 workers will be engaged in defense work in 1951. This estimate represents workers engaged in the production of military end items, civilians in jobs in the military establishment, and those workers indirectly contributing to military production in such industries as mining and transportation.

This figure is necessarily derived from over-all figures relating to planned defense expenditures, gross national product and the civilian and military labor forces and represents a rough average for the year. The fact that defense expenditures in 1951 in the nine countries are expected to double those for 1950 is indicative of a rising trend which may well be reflected in a considerably larger number of defense jobs by the end of the year.

Chairman RICHARDS. Have you finished with Italy, Mr. Porter?

(Discussion off the record.)

Mr. JAVITS. Can I ask a question, Mr. Chairman?

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. When I was in Italy I heard a good deal about what is called overemployment in various plants, that is, they have many more people on the payroll than they need. It is just another way to deal with the unemployment figure.

Mr. PORTER. That is undoubtedly correct.

Mr. JAVITS. Is there any estimate of that so that we have a realistic picture of what their situation is? In other words, you can have work relief in private plants as easily as you can on the public payroll.

Mr. PORTER. If I may just make a rough estimate I would think that probably would involve three-quarters of a million to one million men. It is one of the factors that will make it most difficult to get a successful productivity program under way in Italy, because there is very little incentive for a manufacturer who is carrying surplus men on his payroll to try to improve his productivity if he is not able to reduce his employment. However, that is not deterring us from trying to undertake a productivity program in Italy.

Mrs. BOLTON. Are there absolutely idle plants that could be used in Italy?

Mr. PORTER. I do not know if there are any absolutely idle but there are many working only to partial capacity.

Mrs. BOLTON. If we increased the need they could increase their productivity?

Mr. PORTER. To a very substantial extent.

Mrs. BOLTON. And that is what we are trying to do?

Mr. PORTER. Right. Shall I turn now, Mr. Chairman, to the Netherlands?

Chairman RICHARDS. Yes.

Mr. PORTER. Our total aid to the Netherlands last year was \$132 million, of which \$30 million was provided through the European Payments Union and \$102 million as direct dollar aid.

(Discussion off the record.)

Mr. PORTER. Do you wish a discussion of their balance of payments, Mr. Chairman, or shan't I ask for that unless there are questions?

Chairman RICHARDS. That is all right.

Mr. PORTER. We have estimated a decrease in the level of consumption in the Netherlands to about 98.3 percent of the current level.

Mr. VORIS. How many people are there in the Netherlands?

Mr. PORTER. 10,280,000.

Mrs. BOLTON. Consumption of what?

Mr. PORTER. Over-all consumption—goods, food, clothing, shelter, and so forth.

Mrs. BOLTON. Is that because they are not doing more, or is it because they are going to do without?

Mr. PORTER. I think it will be because they will be tightening their belts to make a greater military effort. As I have stated yesterday,

this is our forecast or our target of what we want them to do. It does not yet represent a commitment of what they are willing to do.

(Discussion off the record.)

Mrs. BOLTON. Are the Dutch in the same boat? Do they also want more than we want to give them?

Mr. PORTER. Oh, yes. They have asked for substantially more than we are proposing to your committee.

Mr. JAVITS. Mr. Porter, is the only way we found to stimulate these people by negotiation? We have yet developed no technique for getting them to do these things other than by the arts of negotiation. Is that right?

Mr. PORTER. Well, there are other techniques, but we feel that negotiations are necessary to raise their effort from the level which they have projected for themselves to that which we think they are capable of making.

That is where the negotiation comes in. Fortunately we do not have to negotiate the whole load, but about the last 15 percent.

Mr. JAVITS. Do you have enough discretion under this legislation which you are proposing to us so that that negotiation has some teeth in it? In other words, do they always feel that you have the power under the law to grant or withhold aid, so that, even though you do not make it naked power, at least you have it? Is that clear to the people you are negotiating with?

Mr. PORTER. I think it is, sir. The power that we will have insofar as the recipients of aid are concerned will be the amount of aid that we will give to them.

Mr. JAVITS. That you allocate?

Mr. PORTER. Yes. That is right.

Mr. JAVITS. Mr. Herter has been advocating that a heavy part in allocation of end-item aid be given to the Supreme Commander, General Eisenhower. What do you people think about that? Mr. Herter's feeling is that he ought to have a participation in allocation.

Mr. PORTER. Certainly I do not think we should make any allocation of military end items that are inconsistent with General Eisenhower's judgment, and I think our allotments of economic aid should be consistent with his judgment of the military requirements.

Mr. JAVITS. And you will do that and are proposing to do that?

Mr. PORTER. If we are responsible for the administration of the program, I can assure you that will be the intent of Mr. Foster, Mr. Bissell, and myself.

Mr. JAVITS. Thank you, Mr. Chairman.

Mr. PORTER. I said "If we are responsible for the administration of the economic-aid program."

Chairman RICHARDS. Mr. PORTER, how many more countries have you got there?

Mr. PORTER. Norway and Turkey, as recipients of aid, and then I would like to say a few words about the United Kingdom.

Chairman RICHARDS. You have just Norway, Turkey, and the United Kingdom?

Mr. PORTER. Yes.

Chairman RICHARDS. I would like to finish that, but we have to adjourn here in a minute. We have another meeting at 7:30. If you can make that brief on each one of them, please, we would appreciate that.

Mr. PORTER. Right, sir. Last year the Norwegians received \$106,000,000, of which \$46,000,000 was direct aid and \$60,000,000 was received through the European Payments Union.

(Discussion off the record.)

Mr. PORTER. We have assumed a very slight increase in the amount of consumption in Norway of three-tenths of 1 percent.

I think it is true that the Norwegians more than any other people in Europe have held their belt very tight.

(Discussion off the record.)

Mr. PORTER. We think the Norwegians can make a greater military effort than they have, but I would like to say that, if all of the other countries did as well as the Norwegians, our job would be a lot easier.

Mr. JUDD. Is it not true that they have not made any efforts to wangle stuff out of us that there was no legitimate need for? They have come before us with what were their bottom needs?

Mr. PORTER. That is right. I would say that I think probably they have tightened their belt too much to maintain a very heavy capital-investment program.

Mr. JUDD. They told us over there they had just put on themselves a 10-percent sales tax on food, clothing, and shelter, and everything else, and even medicines. When a country will do that, it means business.

Mr. PORTER. Right. I think we can be well satisfied on the whole with the efforts the Norwegians have made.

(Discussion off the record.)

Mr. PORTER. I am commenting briefly on Turkey. Their military budget last year, or the current fiscal year, is \$192,000,000. A very poor and a very underdeveloped country like Turkey cannot make a substantial increase as the others have. Also, we should bear in mind the Turks have already been making a much greater military effort than have the other countries of Europe.

Mrs. BOLTON. And they have been doing it for years.

Mr. PORTER. That is right. So, I think the increase we have forecast for the Turks is about all that can be expected of them.

(Discussion off the record.)

Chairman RICHARDS. Let us go on to the United Kingdom.

Mr. PORTER. Last year we gave to the United Kingdom net aid of \$148,000,000. We have given them a total of \$298,090,000, but the British in turn made a contribution of \$150,000,000 to other European countries through the European Payments Union.

(Discussion off the record.)

Mr. JUDD. Well, they advised me publicly over the radio last night that they were sending Mr. Atlee over here to reopen the question of getting aid from us because their financial position had deteriorated so drastically in the last few weeks.

Mr. PORTER. I was so busy preparing for the committee, Mr. Judd, that I did not have a chance to read that.

Mr. JUDD. I got that over the radio last night.

Mr. BATTLE. We should have a radio in here.

Chairman RICHARDS. Last year, when you submitted your appropriation request, it was estimated the United Kingdom would have a dollar deficit of \$600,000,000.

Mr. PORTER. Right.

Chairman RICHARDS. Actually the result was a dollar surplus of \$1,098,000,000.

Mr. PORTER. That is right.

Chairman RICHARDS. How did this happen?

Mr. PORTER. That was largely accounted for, sir, by the increase in the price of raw materials which the sterling area were able to sell, after the general price rise following the outbreak of the war in Korea. Some of the commodities that the sterling area have for sale to the dollar area, like wool, tin, and rubber, as you know, increased in price very substantially. It was largely because of that unanticipated rise in prices, and thus the rise in sterling-area earnings, that we were able to terminate aid on the 1st of January rather than later in the year, or rather than their requiring aid throughout the year, as we had anticipated 12 months ago.

Chairman RICHARDS. And also because they continued their austerity program.

Mr. PORTER. Right.

Chairman RICHARDS. They have really done that.

Mr. VORYS. What is the change that has taken place here?

(Discussion off the record.)

Mrs. BOLTON. It was a little disappointing because yesterday the Irish said of course they would come in for the major share; that is, the British. We kind of hoped we could just tell the Irish they were wrong, but now it looks as though they will be right after all.

Chairman RICHARDS. They claim, too, that the rearmament program is responsible for that.

Mr. PORTER. The rearmament program is putting a very heavy burden on them. Their military budget during the fiscal year 1950-51 was \$2,485,000,000, and we have forecast for them next year a military budget of \$3,995,000,000.

Chairman RICHARDS. Thank you very much, Mr. Porter.

The committee stands adjourned until 7:30 tonight.

(Whereupon, at 5:35 p. m., the committee adjourned until 7:30 p. m. of the same day.)

NIGHT SESSION

The committee met in the House Foreign Affairs Committee Room, the Capitol, at 7:30 p. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The hearing will come to order, please. We are continuing the hearings on the so-called Mutual Security Program.

It was necessary to rearrange our schedule, and General Scott will begin in the morning. Our first witness tonight is Mr. Adolf A. Berle, Jr., former Assistant Secretary of State.

Mr. Berle, will you proceed in your own way?

STATEMENT OF A. A. BERLE, JR., FORMER ASSISTANT SECRETARY OF STATE

Mr. BERLE. Mr. Chairman, I have drafted a statement here which I should like to put in the record. There are copies available for those who wish to read it. Because I know the committee is under press of time, I won't take your time to detail the substance of it; it is there in print.

Chairman RICHARDS. Your statement will, without objection, be included in the record in its entirety.

(The statement is as follows:)

STATEMENT OF ADOLF A. BERLE, Jr., FORMER ASSISTANT SECRETARY OF STATE

This statement is directed to the drafting of a mutual security act of 1951 (program for 1952). I am convinced that the House committee should recommend that the Congress pass a mutual security act along the lines of the administration draft. In my judgment, certain changes could usefully be made in that draft.

I

The danger of the United States, and to the free world, is, I think, far greater than is realized. It is, in fact, greater than the statement appearing in the memorandum submitted by the executive branch. While predictions are always dangerous, let me risk one here.

Late in 1952 or early in 1953, the Soviet Union will be approaching her maximum military strength and her external political warfare operations will be at peak. She is likely then to take moves even at the risk of precipitating world war III. She is not prepared to take that risk at present. But she is clearly putting herself in a position to take that risk.

The area of greatest danger, in my judgment, is the basin of the Indian Ocean—the huge area running from Persia and Arabia on one side, to Burma, Thailand, and Malaya on the other. She is far more advanced in that area than we realize. While American attention has been fixed on Korea, the Kremlin empire builders have substantially absorbed Tibet and have created, or assisted in creating, substantial anarchy in Burma (you can no longer go from "Rangoon to Mandalay" even by water). At the same time, they are steadily creating a situation which may lead to their seizure of Iran and their entry into the Persian Gulf. If you look at the map, you will see that a combination of these moves almost completely encircles India. They would hamper, if not prevent, any use of naval power in the Indian Ocean. They will probably be a prelude to a direct move southward toward Aden on the northeast coast of Africa.

This move would shift the entire balance of world power. World wars are commonly won or lost in just that area: The holder of the Middle East holds the key to world empire.

This is more important even than Western Europe. Western Europe has several times been lost to would-be world conquerors who have nevertheless been defeated by the powers holding the Mediterranean and the Near East. The holder of the Near East is rarely dislodged except after several centuries.

The free world is less well prepared in this great basin than anywhere else along the whole iron-curtain line. Even the map supplied by the State Department to this committee and printed with the memorandum is, if anything, unduly optimistic.

The United States Government has had only one of two choices: Draw in, arm the hemisphere and await the worst—that is, surrender two-thirds of the world to the Kremlin, and defend here in terrible danger; or try to meet the situation on the ground. It has finally chosen the latter. Rightly, in my judgment. The proposed Mutual Security Act is the principal instrument of that policy. Few well-informed Americans, I think, would willingly accept reversal of the choice.

Our one chance of avoiding world war III lies in this program. First, build up military preparedness to a high point. This is being done. Second, push a program of political warfare with a vigor equal to the Kremlin's. We are slowly coming to that. Third, set up an economic program so strong, so direct, so immediately geared to the actual personal problems of great and very humble populations that they resist organization into Communist governments and mercenary armies by agents of the Kremlin empire. Meanwhile, we can assist populations within the iron curtain who know, now, that the Communist promises are not fulfilled, and the enslavement of a population is a substantial result.

II

The time element is bitterly pressing.

Let us begin with Iran. Again I risk prediction.

The current dispute is over oil, but the real issue is what government will emerge in Iran. We did not enter that situation strongly when the Shah a year ago proposed a strong government under Razmara, and his later attempt ended with Razmara's assassination, and the present government took over. Negotiations to settle the oil controversy are presently proceeding with the government of Mossadegh. There is, however, no solid assurance that the Mossadegh govern-

ment will maintain itself long. Some observers here give it only a month to live: This seems unduly pessimistic. Unless, however, the tide is reversed, the present Persian Government will be replaced by still more extreme governments, coupled with growing anarchy in the country, possibly coupled with armed action against the British, and eventually open or concealed Soviet intervention. It is needless to state here how great would be the ensuing catastrophe. For one thing, it might well mean that every American automobile owner would have his gasoline rationed. For another, General Eisenhower's mission to recreate European defense would be terribly crippled. Third, the political and military balance of the Middle East would begin to run heavily against the free nations.

If this is to be checked, work on a huge scale has to begin immediately—"haste, haste, posthaste," as Cromwell used to say.

On the opposite side, in Burma, the situation is even more critical. Practically, the country is slowly disintegrating under the persistent attacks of various factions, with Russian or Communist Chinese inspired guerrilla bands. We have a mission and an excellent public relations program in Rangoon; but where, a year ago, it was safe for our people to go about the country, now they find increasing difficulty in going outside the capitol.

These two countries are perhaps now the front line. They are where Syria, Iraq, Arabia, Egypt, and Ethiopia will be by 1953, if we do not work immediately and hard and fast. We have seen the effect of delay in China where we could not work up an effective policy while we still had access to that country. It would be gambling with the safety of the free world and the United States to make any more mistakes.

Equally, we have seen a measurable effect of what could be done through the Economic Cooperation Administration in Western Europe. There we had time, we had access, and we had economic resources, and we used all three to good effect.

Now we have, particularly in the great Near Eastern area, access and economic resources, and a little—all too little—time. This is a case where days count, and where every day lost may cost a bitter price a year or two from now.

In other areas of the world we have access, and more time, but pressing necessity.

Most important of these areas is, of course, Latin America. For some curious reason, most Americans take for granted that a continent and a half, inhabited by 160,000,000 people, will be there and on call whenever we need them, though they do not belong to any American empire and are able to make their own decisions. But they expect action and economic aid. I quote from a letter dated July 10 from my daughter presently in the extreme interior of Brazil:

"Francis Truslow, point 4 envoy to Brazil, died on the boat coming here. This creates an extremely difficult situation up here. Brazil has wanted to draft national legislation for what the Association for Credit and Rural Assistance is doing in the State of Minas Geraes. The United States has already delayed its envoy several times and now, as he was finally coming, he died. Brazil apparently has been counting on point 4 help and is prepared to negotiate a loan with us which Americans here feel extremely favorable. Brazil needs American technicians. * * * Some fine day, Brazil is going to wonder why it should bother with us. * * * If you have any information or any good guess, do let me know. Everyone here is extremely conscious of the fact that Brazil is an unlit powder keg. The United States doesn't help much."

This last is not quite accurate: The United States has helped a good deal but it is minimal compared to the problems of a country of 50,000,000 people. The same thing could be said of a number of other countries in South America.

The other huge and pressing areas are, of course, the tremendous and rapidly developing areas in West Africa—the huge hinterland behind Dakar—and the East Indies. In both cases, we have access and some time. Matters are not quite as pressing as in the Near East, though the East Indian situation is no joke, and, for that matter, the Philippines are in considerable danger. If we have a safe year in the Middle East, we may have 2 or 3 years in the East Indies and the Philippines and 5 or 6 years in west Africa and Latin America. In any case, there is no time to lose.

Because of the hair-trigger situation in the Middle East especially, not only does a mutual security act have to be passed, but it has to be passed in such form that rapid and decisive action can be taken immediately in the critical areas.

III

This brings us to the organization of mutual security. The point is highly controversial, and it has to be resolved partly on the question of expediency.

The form of organization should be chosen which can be most rapidly activated and can most rapidly get into action. If the perfect, logical form of organization is not politically possible, the best possible alternative should be chosen. There is no way out of this; action seems to me essential.

In strict logic, security aid should be split. Military aid should be separately organized and administered. Strict relief operations—like that in Korea—should likewise be separately administered as is proposed. Economic assistance and point 4 aid should be a third division. Never should the military men be in a position to take resources needed for roads and put them into tanks, or vice versa. The two operations are parallel but they are quite different.

Also in strict logic, economic aid should be administered by an organization dependent on, but subordinate to, the Department of State. Traditionally the Department of State is not particularly good at administering huge enterprises. Equally, the administrator of an economic program in a country cannot have a policy separate and distinct from that of the State Department; he cannot be in competition with the ambassador.

On the other hand, the State Department has been having its troubles, as we know. If we have to choose between no substantial mutual aid, and aid run by an independent agency, clearly we must choose the independent agency and rely on the President and the respective officers to hammer their staffs into cooperation.

Mr. Nelson A. Rockefeller, the head of a very distinguished committee, studied the situation, at the request of the President. His report (the report of the International Development Advisory Board, dated March 7, 1951) assumed a single, central, over-all agency, not destroying, but taking over the present Economic Cooperation Administration (ECA), the present Technical Cooperation Administration (TCA, now in the State Department), the Institute of Inter-American Affairs (now under State), and the Export-Import Licensing (now lodged in the Department of Commerce). This was a drastic shake-up, and many of the agencies in Washington disliked the idea. The administration proposal, which appears in the draft of a Mutual Security Act presented to the committee, maintains the various existing agencies, putting them, presumably, under the Department of State, though there is considerable flexibility.

Given all the factors, including the political situation here, I am inclined to believe that an independent agency picking up, taking over, and maintaining the existing organizations of ECA, TCA, with as little disturbance on the ground as possible, probably is the best solution presently available.

A little emphasis ought to be on giving the field missions guidance, stimulus, directive, authority and responsibility to move, to move fast, and to move in large magnitude, especially in the critical areas. For instance, we do not have time to take and train numbers of Persians in agricultural methods so as to change the productivity of that country over a period of 20 years or so. You need teams which can take a hundred men from a hundred villages and train them for 6 weeks or 2 months, sending them out immediately, each to train a hundred men, and limiting their work to the simplest sort of thing; use of hoes instead of forked sticks, drilling of quite ordinary wells, and the like. For the real task is to make it clear to many millions of people in vitally critical areas that American programs mean something immediate to them, and that their hopes and fortunes lie in staying with the free world. They will understand that only by something immediate and direct, available to them, and that actually happens and that happens fast. This sort of work is not a matter for high negotiation in over-stuffed palaces. It is a job of devoted men, working against time, and talking to the simplest and humblest of people in language they can understand, accompanied by deeds which they can see and appreciate.

Finally, I should like to express the hope that the portions of the bill which deal with point 4 be isolated so that the point 4 program emerges as a reality. I think that in the administration draft, the points are all covered with a couple of exceptions I will later mention. It will be highly advisable to sort them out and collect them. There is no real distinction between much of ECA and point 4 work—especially in the Near East and in southeastern Asia. TCA is, of course, primarily point 4. The limited discretion asked by the President would enable him to strengthen point 4 where it could be done. Point 4 work can, in certain respects, be followed up by loan capital through the Export-Import Bank or the International Bank for Reconstruction.

As a matter of detail, I note that for the American republics \$22 million is suggested for assistance. This strikes me as low. I believe it should be increased to at least \$50 million, with appropriate authority to transfer. This is not

asking a great deal. We cannot have literally millions of people living adjacent to the United States on the peon level without substantial hope of changing their position, and expect a stable situation between the Rio Grande and Cape Horn.

It ought to be made perfectly clear that the object of this act is not to build up more huge agencies in Washington. The product, the end result, must be a peasant or an artisan in Burma, or in Iran, or in West Africa, or in Chile or Brazil, who sees that he is taking the first step, however short, toward getting benefits of the amazing industrial civilization and comforts of the twentieth century. One hundred first-class, able and devoted, though wholly obscure, operators in the field are worth a thousand administrators and subadministrators, clerks and so on, in Washington. This is not to decry the able and devoted work done by many and many of these Washington men who do the work which furnishes the reputation and headlines for other people. It is to say that the man in the field who is doing a job is what this is all about.

CONCLUSION

I hope this mutual-aid bill will pass. I hope it will pass rapidly, accompanied by legislative and executive realization that we are approaching the greatest crisis in American national security we have yet encountered in our history.

Mr. BERLE. The first most important point I have to make is that I hope everyone can get the sense of urgency about this bill that some of the rest of us do. Although I have been in private life now for about 5 years, I have followed these situations with a great deal of care both from old friendship and because, as you know, I have spent perhaps half my life in foreign affairs, back to the days of the Wilson administration.

My estimate is that the situation is deteriorating a good deal more rapidly than many of us like to realize. This is not clairvoyance. I won't give you all the calculations.

The timing appears to be that we cannot count on more than 2 years to work in a peaceful way and that probably from or after the year 1953, we will be faced with situations which we must more likely meet by force than in any other way.

Obviously, the most economical thing we can do is to use nonforceful means wherever we can. I should like to try my hand at assigning priorities. My belief is that the strain in this deteriorating world situation is going to be greatest in the Middle East—an area not quite defined in the supplementary pamphlet which the executive branch has given you. It is there, but it is split up.

Having observed the Kremlin's strategy since 1919, I have noticed that they are inveterate two-fronters; always when they make one move, there is a second, parallel move going on at the same time. This appears to be true now. The move in Korea has been stopped by armed force but two complementary moves are appearing now, one of them in Iran and the other on the other side of India, Tibet, Nepal, Burma. These are proceeding with very great rapidity. I have had the privilege of talking to people who have come back within the past few weeks, both from Burma and from Iran, and they confirm that impression.

Specifically, there is evidence that a main-line move is now going on to flank India on both the east and the west.

While we have been looking at the drama of the events in Korea, the Soviet system has absorbed most of Tibet—I think probably all of it although I notice the State Department registers only half. They have certainly got a fair handhold in the companion kingdom of Nepal, which is close by. The situation in Burma is rather rapidly disintegrating, so much so that the wives of the American staff in

Rangoon are probably not going back from their leaves this fall. Even the water communication between Rangoon and Mandalay is cut. That is one side.

The other side, of course, is Iran which has been so much in the newspapers I need not say anything about it.

I imagine that probably all of you know—I think all the committee is probably better informed on it than I am—that the combination of those two moves would go a long way toward denying the entire use of the Indian Ocean to naval power. The fleets which sail the Indian Ocean commonly bunker with oil that comes out of the Persian Gulf. If the Soviet system succeeds in taking over Iran, and is able to cut the head of the Persian Gulf, the nearest place that a fleet could successfully bunker with oil would be either in the Dutch East Indies—the former Dutch East Indies, themselves in somewhat shaky condition or alternatively all the way back in Venezuela. The mere distance cuts down in large measure the utility of any fleet.

By consequence, the double move here is not merely absorbing some more loose territory. It is a main line movement which, if successful, would go very far toward completely encircling India and giving a strangle hold on the huge central bridge which unites the five continents.

It is a matter of history that you may lose all of Western Europe, but if you keep the line open to the Mediterranean and the Middle East, you eventually dislodge the invader from Western Europe. But the power that has successfully planted itself on that near eastern bridge can stay there a long, long time.

The experts who follow Iran most closely consider that the Russian move which follows the set pattern will probably be complete inside of a year. I myself, with the valor of ignorance, think that is a little pessimistic. I would give ourselves a little more time than that. But you cannot be sure. The Mossadegh government may evenicker out a solution on oil, but oil is really a secondary issue. The real fact appears to be that the oil issue has been used as a wedge to subvert any organized government in Iran. The only strong remaining power is the so-called Tudeh Party. The Tudeh Party is actually administered by a very large staff at the Russian Embassy in Tehran and it is clear that the Communists are following the old Kerensky pattern, with their heavy drive coming later. Anything that is to be done must be done quickly while we still have access and while we have a little time.

Somewhat the same thing is true of Burma. There the Soviet take-over of power is less obvious. The Chinese Communists, of course, are on their flank. At the moment a situation of anarchy is emerging. Again, while we have access, we must work as fast as we can.

Now this is a case for both money and guns. I have no illusion that merely doing international good is going to stop a main line, armed Soviet drive. I would be thankful if it could. Maybe this could have happened if we had started 5 or 10 years ago. But we have not now the 5 or 10 years.

Now it seems to me that the form of organization of mutual security aid adopted, if the substance of this bill passes and I hope it will—has to be selected with a view to the quickest possible operation in the Middle East and in southeast Asia. We have more time in Africa

where, by the way, the report supplied by two executive branches seems to me unduly optimistic. I do not think that this report adequately reflects the degree of communist organization which has gone on on the northeast shoulder of Africa, that is to say in Ethiopia, and the Sudan, and so on, or in Egypt. I think the situation there is more serious than appears. But the African crisis, though certain, will not be precipitated, obviously, until some of these other moves are more or less complete.

The figures in this bill are obviously approximate. They are estimates. I should suggest that some flexibility -- there is some in the proposed act -- be left so that funds can be assigned to areas where it is possible to move fast. Some of the programs now will have to be different. You could work out a long-range program of economic improvement along with gradual organization of militia, let us say, in Africa. But in Iran you are much more likely to have to do shotgun job in which you try to set up overnight the most elementary kind of economic assistance, village by village, in a program designed to reach the bulk of the country in a year's time.

For instance, to take the suggestion of Max Thornburg, who is one of the experts who has worked on it, a program may be needed by which you draw in 100 representatives of villages for very rapid training in the most elementary of agricultural techniques, and then send them each to train 100 others, with American advisers to help. This probably is still possible; and thereby actually to touch 10,000 out of 50,000 villages in Iran, inside of a year's time. Short of that, you will find that someone else is there first and whatever you do has got to be done by quite different methods.

On the Latin-American side, I think the figure is rather small. You have a program running to billions, and \$25 million is assigned to Latin America. My feeling is that more flexibility ought to be allowed. It is one of the strange things, perhaps not to this committee, but to me, that the United States assumes that a continent and a half, south of the Rio Grande, with 160 million people will just be there whenever you want it, while between times you do not have to do much about it. This continent and a half is not part of the American empire. Actually, it is maintained in the American orbit by an endless number of private Americans who spend an infinite amount of time keeping personal and economic ties good with those countries. Now, it is perfectly clear that the lines have to be tightened. I should think that the \$25 million figure is low for what has to be done. What an economic and point 4 program means in terms of the interior of a country like Brazil I tried to illustrate graphically by simply quoting a paragraph from a letter my daughter sent me from Minas Geraes, to give you what it looks like from the South American angle. The experience could be duplicated all over Latin America.

One of the problems with which this committee is struggling is the problem of how this kind of economic aid program ought to be organized. I have been through it three times in a lifetime. The problem will never be easy or wholly solved. Ideally, of course, all foreign policy ought to be under State. But that Department which has absorbed a great part of my life and for which I have great affection, as a department has never had a great tradition of first-rate rapid administration. It has been a policy-making group far more than an executive group. That is nothing against it. That has not

been its job. Mr. Cordell Hull used to decline to let us, his then assistants, load up the State Department with administrative functions for that reason, and whenever we had some wished on us, he instructed us to negotiate with you gentlemen to put them into some place which he thought better equipped.

There is the danger always in a split administration, that is to say, an economic administrator who thinks he is the ambassador and wants to fight with the ambassador, and so forth. I have dealt with that in Washington. I have also been Ambassador myself and I likewise represented economic missions, so I have seen all three sides. I have had the pleasure in many travels in the last few years of working informally with the various American missions abroad, where the ECA men were living alongside the Embassy men.

My conclusion is this: I agree with Mr. Nelson Rockefeller who has very considerable experience himself in that, that the military should be left where it is, that is, in the Department of Defense. The economic aid ought to be separated out and put under a separate administration generally coordinated through the State Department with policy. I think on the whole, given all the elements including the political element here, that probably is the most practical thing to do if something has to be done quickly, as I am sure it does.

Care should be given, I believe, not to destroy the very excellent organization which Paul Hoffman built up in ECA, but in this case that will not be difficult.

The ECA has done its best work in the developed countries of the world where the arrangements are government to government, or high level to high level.

In what are called the undeveloped areas, it is less what goes on in the palace, but what is done by fairly well-trained and highly sympathetic men almost of the foreman type who talk to villagers at their own level that counts. That is the end product, rather than a trade agreement or a loan agreement. It would seem to me that an economic aid administration could conveniently be divided into the kind of thing that ECA has done well in the West European countries, with a separate administration to do the kind of thing which Mr. Rockefeller's organization did extremely well during World War II in Latin America. In some undeveloped areas, the ECA has already got something started which could be apportioned to one or the other on an administrative basis.

As to a mutual aid administration fighting abroad, let us say, with a State Department mission there, my observation has been that when you have got two capable men on the job, they always work together. We had the possibility of conflict between agencies when I was Ambassador to Brazil. We simply agreed with each other that there would be no feuds and no fights. That might go on in Washington; we could not afford the luxury in South America. There were none. The agreement was that I could call on the staffs of the Economic Mission if I needed them; the heads of those missions, could call on mine, and the thing was settled in 5 minutes. We never had any questions between us that could not be settled by a half-hour's talk with ordinary give and take.

I feel, therefore, that a separate Economic Administration is indicated. I think that we have to leave it to the senior administrative

officials of the United States to hammer into their staffs that a good working alliance is necessary.

The reason for not trying to combine the economic with the military is not because they cannot get together, but because they are talking a different kind of arithmetic. The military man is thinking about one thing, the economic man about another. You cannot have the kind of situation in which the Army raids the money set aside for roads or agriculture, because they want more guns. Apportionment between military and economic aid has to be made primarily on a political basis,—that is to say, on the basis of what your estimate of the urgency is. But such estimates and arrangements based on them which might lead to conflict are normally settled at a very high level.

The Army knows what it is doing, and why. It does not always understand and often has less direct interest and familiarity with economic problems. I should like to add, parenthetically that I do not think this will be true a few years from now. Today, both the Army, the Navy, and the Air Corps have staff schools in which they are systematically instructing the younger officers in that kind of problem and that kind of administration. They haven't got their men trained yet, and until they do, I think we might as well recognize that we have two quite different types of thought.

Ladies and gentlemen, I have said enough. I would like to add merely one comment. This is not any attempt to create a sense of urgency to put on political pressure: I am in private life. But if you look at the world situation as it stood in 1946 or 1947, or 1948 or 1949, or the last year or now, you can see a steady deterioration going on implacably. You will see that it has been stopped in two places. One was in Greece which I want to say a word about, where the Truman doctrine accompanied by American show of force and a fleet in the Mediterranean finally gave check to aggression. The second was in Korea where we have fought a year's war substantially to maintain the status quo as it was before.

I opened by saying that the Russians like triangular moves. Those of you who have followed Russian policy must have realized, of course, that the move in Greece was not designed primarily to seize Greece. It was designed to get Crete, cross the Mediterranean and enter Egypt, thereby sealing off the Middle East which was the stake of the game in 1947 as it is now. Then we took a bold course. Fortune favored us. The Yugoslav defection made further Russian aggression impractical. What we are getting now in Iran and Burma is substantially the same thing we met in Greece 4 years ago.

In September 1944, I wrote a memorandum to the State Department suggesting that I thought the policy of the Soviet Union at that time would be to try to seize Greece and cross the Mediterranean and also to try to seize Iran and cross the Persian Gulf in a pincer movement. The attempt was made in the following 2 years. You are aware of how the Greek move was defeated by our intervention, and the Persian move was blocked through United Nations action. Now, of course we see it coming again.

I have no end of respect for the ability of our former colleagues and present enemies in the Soviet Foreign Office. They are good. They plan moves by which they risk relatively little, but stand to gain an enormous amount. The new operations are moves of just that kind. The Russians risk little or nothing for themselves in Burma, little or

nothing in Iran; but the success of those moves would give them another third of the world, and another half a billion of people and great added resources. Inevitably the time will come when in our own interest, or for our own safety, we shall have in that area to risk again the arbitrament of war as we did in Korea.

The intelligence people apparently believe that the Soviet Union expects to put herself in position to risk war by the end of 1952 or early 1953. You perhaps have access to their information. I, of course, do not. But that the Soviet rulers are putting themselves into that position as rapidly as possible is obvious. For this reason I hope:

First, that this bill including the military assistance angle passes with whatever administrative revisions are needed;

Second, that there may be a separate administration for foreign aid which, however, shall make use of all of the organization now in being, that is particularly the ECA. And the new administration will have instructions to give priority "Haste, haste, post haste," as Oliver Cromwell used to say, to the areas most in danger. That means the Middle East.

Third, that you somewhat increase both the flexibility and the money which may be allotted to Latin America, a part of the world which is peculiarly in partnership with us and on whose good will in the long run we have to depend to maintain the ultimate citadel in what seems to me one of the great world crises of all times.

Mr. Chairman, thank you very much.

Chairman RICHARDS. Thank you, Mr. Berle, for that very fine statement.

I will go around the room, observing the 5-minute rule. Mr. Chipersfield.

Mr. CHIPERFIELD. No questions.

Chairman RICHARDS. Mr. Gordon.

Mr. GORDON. No questions.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. I have no questions but I want to compliment Mr. Berle on a very fine statement. He has given us a great deal to think about in this committee.

Chairman RICHARDS. There is no question about that.

Mr. Vorys.

Mr. VORYS. Mr. Berle, you have had a lot of experience in and out and around the Department of State. On the organizational aspects of it you seem to come up with a recommendation for a perpetuation of ECA, maybe under other initials.

ECA was a temporary agency with a deadline put in and was given a lot of special legislative flexibility such as exemption from civil service, and also, because of its nature, had an appeal to a type of man who is not a career man in government.

Now, don't you think that whatever we set up now is not going to be a temporary thing but pretty nearly from now on as long as you and I are alive, so that we have got to contemplate whether we will cut off economic functions from the State Department and make them independent, or not. What do you think about that?

Mr. BERLE. You are quite right about ECA, of course. I know not whether now is the time to dissolve it. I may be unduly impressed by the need for using the running gear that you can use quickest and

that probably warps my thinking. I do not think you are now undertaking to give form to a final organization of the economic relations of the United States.

Eventually, I think, an economic agency operated under or in connection with the State Department has to be worked out. I am with you there. If I thought we had time to organize and do that job in the time at our disposal, I would say that is the logic of it and I have so stated here. I wish I thought that we had time to do that in the present emergency. I think I would vote for doing the thing that could be done quickest, and working rather rapidly toward the solution you suggest as soon as we have got a few main line problems stabilized.

Mr. VORYS. If I have time, Mr. Chairman, and I hope you are holding the watch on me because we have a long evening, I do not know how closely you have followed it, but whether for good or bad, we have got a second team in the game now for ECA, from Paul Hoffman right on down through. There are comparatively few of the fellows in the positions that they were in 3 years ago when this thing was thrown together in a dreadful hurry to pour money into Europe to restore the balance of payments. We now have just another agency. I wonder from your experience in government which you would think best, merely to give ECA a new label or to change it around. Even though we are to have this independent agency with an entirely new function, not limited to Europe, not limited to recovery, but as it is labeled before us, mutual security, would it be smart to create a new agency so that there could be some method of sifting and sorting the personnel, or do you think that ECA, with its second team in the game now, should be preserved more or less at all costs, because the substitutes are so good.

Mr. BERLE. I do not think it should be preserved at all costs. I should yield to your greater knowledge of the administration. I have seen it in the field. You are quite right that it is now a second team, the first team largely having considered the big job was done and gone back to their own affairs.

I have considered myself that the strict functions of ECA would be declining from here out. They have counterpart funds. They have certain localized problems. The questions of exchange on a large scale probably will entirely shift in character if you do purchases for munitions and the balance of whatever arrangements are made in supply of arms.

I do not consider that there is anything sacred about maintaining ECA. The ECA has had missions in two or three—not two or three but various—of the undeveloped areas and some of them are said to be good. Salvaging the ones that are there and most effective it seems to me would be wise. I am by no means clear that a resifting would not be a good idea. I do not wish to be heard as a protagonist for maintaining ECA as its work draws to a close. We all know that agencies often like to go on when their day is done and what they ought to do is salute, take a bow, and knock off.

Mr. VORYS. I attended the third anniversary meeting of the ECA staff at the Statler. It was a very quiet meeting until Mr. Harriman read the statement from the President that ECA was to be a continuing organization and then the applause was thunderous. I did not join in the applause.

I have taken my time.

Mr. BERLE. I have only this to add, Mr. Chairman: the controlling consideration, particularly in the danger areas, is speed. If I thought that speed could be got by holding on to some ECA, I would hold it. If I could not, then I would take the thing that could most quickly be done effectively.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. Mr. Berle, in your statement you say that you think in late 1952 or early 1953, the Soviet Union will be approaching her maximum military strength and her external political warfare operations will be at peak, and she is likely then to take moves even at the risk of precipitating World War III. Do you feel that Russia will then have a great advantage, a greater advantage over the free world than she has at the present time?

Mr. BERLE. I cannot tell. It becomes a race between what the Soviets are doing and what we are doing. Obviously, our whole job is to see that she is not better off.

On the other hand we know, or more accurately I know, very little about the actual state of her preparation. I get the gossip and certain information from my foreign friends who claim to have information. I cannot say that I think it is very accurate. I do think that on the evidence that is available to anyone not in official life, it is clear that the Soviet Union is pushing her program for all it is worth. Based on an analysis of her 6-year plan and three or four subsidiary plans she proposes to be in the best possible situation. Their target date, as you know, is late 1952, which they claim to be fulfilling.

Relatively I should think we ought to be able to beat them out-and-out, but whether the Russians will think so, I do not know. I think that then Russia will consider that she is as well prepared as she is likely to be. That opinion has to be hazy, since many of us are not in Mr. Stalin's confidence and we can only guess, but that is my guess. It cannot be more than that, sir.

Mr. CARNAHAN. Do I understand you correctly to rather strongly feel that different forms of aid should perhaps be administered through different agencies? I think you mentioned the military as one, and that relief should be administered separately and Point 4 should be administered separately.

Mr. BERLE. I think economic aid and Point 4 belong together. I think military aid probably belongs where it is. I at least should feel that we would lose time by trying to shift it.

There are one or two specialized relief agencies. Korean relief, I think is probably a separate problem. I think, probably, too, there is merit in the State Department's statement that Formosa is a peculiar problem. Those possibly can be left as they are. Then there is, of course, the question of the displaced Arabs in the Near East which very likely might yield to specialized treatment. As to that, I have only an impression because I cannot say that I am well enough informed to know.

Plainly, relief work is not the same as straight economic. If you are going to classify, it could be done that way. I am by no means sure that some of that relief could not be done by a division of economic aid agency if you wished to have a single agency including that.

Mr. CARNAHAN. I notice that you say in your prepared statement:

Finally, I should like to express the hope that the portions of the bill which deal with Point IV be isolated so that the Point IV program emerges as a reality.

Do you mean to imply by that that we should place more hope and confidence in the Point IV program than in some of the others?

Mr. BERLE. No; I meant this: Point IV was widely advertised to a waiting world. The world does not draw the same distinctions that we do administratively here. They would like to see a Point IV program and for that reason I think it would be wise, if there were time to segregate in the bill those provisions which are peculiarly applicable to Point IV which is more a matter of arrangement, I think, than anything else. In some parts of the world, Point IV will take precedence as an effective measure. In Latin America, I believe that you will probably do more good with Point IV work than you will with straight aid. In fact, you would try to do it all through Point IV if you had time. My suggestion there was that I know many countries have been looking for a separate Point IV program and I think it would be good if in the final draft the Point IV proposals could be separately stated or separately numbered rather than scattered as they are more or less through the generality of a bill.

Chairman RICHARDS. Your time has expired, Mr. Carnahan. Mrs. Bolton.

Mrs. BOLTON. It is delightful to see you again and have you here; also to have the benefit of historical knowledge from you, and of your know-how in the handling of international matters. We are grateful to you for this very fine statement.

You have put emphasis on such an important matter—that of speed, that I think we want to thank you very truly for that.

I am interested in Mr. Carnahan's asking you about possible dates and the Soviet Union. You say here that she will be approaching her maximum military strength in 1952 or early 1953. You have discussed the military end of it. Do you have any sense that there may be some truth in the stories that we get rather increasingly, that there is unrest inside the iron curtain?

Mr. BERLE. Yes. In fact, I have some reason to. As you know, a great many groups inside what is the iron curtain now worked with us against Hitler. I worked with them in order to win the previous war. I do not like to remember what happened to those groups whose principal crime, it seemed, was that they trusted us. I have spent a great part of my time since I got out trying to make good our pledges to them as best I could with what tools I could find to work with. Some of these groups tell me there is unrest. But don't place too much reliance on unrest. That alone won't take us out.

Mrs. BOLTON. But it would help?

Mr. BERLE. It certainly would; only dissident groups behind the iron curtain have to be in contact with or close to, force that can back them up. If you were to give the word now asking a general rising, you would be merely responsible for the useless death of thousands and thousands of people. These groups can be of tremendous use over a long pull if we are able to create a stand-off, in which the Soviet neither cares to declare nor dares to risk war as a result of some move. Eventually, dissident groups inside the Soviet system will create a situation in which we no longer feel oppressed by fear. But that is going to be a long pull. It will require a great deal of work and will require a great deal of help from us and it will require taking a very firm and strong position with ability to render help where necessary.

That, however, is a separate question. My ideas on that I should be very glad to give you privately sometime.

Mrs. BOLTON. I am sure that everyone around this table would very much like to have the privilege of such an executive meeting with you, sir. Most of us think there may be such a possibility; as you do, we feel that it must not be taken too soon.

Mr. BERLE. I also feel this, that it would be very unwise to discuss that generally unless you want to precipitate some very unhappy things.

Mrs. BOLTON. Definitely so.

Mr. BERLE. There is hope in that direction if combined with a strong economic and military policy as well.

Mrs. BOLTON. After all, human beings are human beings.

Mr. BERLE. Propaganda is a great thing but you don't stop a bullet with a radio broadcast. We often wish we could. There is no easy, cheap way out of this, Mrs. Bolton.

Mrs. BOLTON. I wish there were.

It is very good to have your very strong word, to that effect. Thank you very much.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. Your statement certainly was excellent, Mr. Berle. How do you get around the problem of having cooperation from villagers on the village level when in countries like Iraq you have 200 families controlling all the land; the question of Iran where the large landlords control the political and economic life; Syria that does not want any part of technical assistance? Now, when these people do not realize where their own interests lie, how do you get into these nations to build them up quickly even on a minimal basis that you suggest?

Mr. BERLE. This is a task that your Foreign Service has to work out area by area. I would not like to sound off. Let me give one instance where it could have been done a while ago and I think may be done now. This is Iran. We have access there, and the Shah, for whatever that oriental title means now, is well disposed to us. I believe that village-to-village contact could have been worked out a year ago; the Iranian experts believe it could be worked out now.

Iraq is another story. That clearly has to be done on a different level. We have to overcome certain obstacles arising from policies which are dear to us and not so dear to them. I have met men who have suggested various means of doing it. I would not like to undertake to pose as an expert on that region myself because I am not.

I can say that having stacked up in the field against a number of these situations, I have never yet seen a situation in which men who were factual and determined and devoted could not find a way to establish contact with the plain people in some fashion. They encounter obstacles and frequently become controversial and eventually leave. I have noticed, however, that in the diplomatic history of the United States, the man who does the best job for the United States on the ground is usually eliminated after getting the desired result. Perhaps that is as it should be. Certainly it has been true persistently since 1800 and there is nothing new about it.

Mr. RIBICOFF. That is a tragedy that mediocrity can stay and effectiveness has to leave.

Mr. BERLE. That is all right, too.

Mr. Ribicoff. I think this point you make about the moves that Russia is making to sort of put a pincer on India is certainly borne out by history.

Now, how do you explain Nehru's apparent obliviousness to what is going on and his feeling that he can play this game of neutrality, playing the west against Russia and still come out whole?

Mr. Berle. I do not try to explain it. I have only met Mr. Nehru once myself. I have read all of his writings and particularly the huge volume he wrote while he was in jail. At that time he swallowed the Marxian hypothesis. I do not mean that he was a Communist—but he swallowed the Marxian theories lock, stock, and barrel. He makes great point of the fact that never in history has China invaded India. I personally believe that he himself is likely to change his views. I believe a substantial part of his own party have already changed their views. Whether, faced with the huge and staggering problems they have, they will be able to pull themselves together in the event that a main-line Soviet drive is made against them, I do not know. If India is left alone, she is not only no danger but may be able to pull out. If she is subjected to communist pressure on three land sides with a very heavy degree of control over the fourth side which is the Indian Ocean, Indians have a very great problem on their hands. Without trying to explain Mr. Nehru—he is only an incident in Indian history, like others—I should say that the logic of events will even convince Indians, too, in time.

Mr. Ribicoff. Do I have any time left, Mr. Chairman?

Chairman Richards. Half a minute.

Mr. Ribicoff. I just pose the question, talking about the Middle East, in Israel you have a showcase of what can be done by determination and a pioneering spirit to take barren land and make it bloom and support many people at a standard of living and a type of society consistent with western society.

Now, what effect do you think that will have on the eventual Middle Eastern pattern?

Mr. Berle. Over a long period of time, Israel will raise the whole level there. But that does take time. After all, the present Israel development is a development of 20 years. My father worked with Brandeis on the Israel foundations before Zionism was a household word, even among American Jews. As a young man I worked with him on it. What you are seeing now is the flowering of plans and thoughts, with infinite amount of patience and affectionate attention, which now begins to bring forth—

Chairman Richards. Your time is up, Mr. Ribicoff. Mr. Smith.

Mr. Smith. In the light of your experience you might give this committee the benefit of your thinking on a question that I think has disturbed some of us. I know it has disturbed some of the witnesses who have appeared in behalf of this program and that is the question as to why the increased productive capacity of Western Europe has not gotten down to the man in the street who is such an important part of this whole program. For myself, the program has failed in that respect.

Mr. Berle. I agree with you. I spent considerable time in Europe last summer and the summer before asking that. Obviously Europeans are in process of overhauling their system. They have to learn that taxes have to be paid and not avoided. The upper classes have to

develop a great deal more interest in the faith of the less favored classes; an entire atmosphere has to be created.

The European lower classes are not worse off than usually they were. They are actually no worse off, comparatively, than they were before World War II. Only, now faced with the tremendous possibility of industrial civilization, mass demands are higher and humble Europeans do not accept as immutable the low status which some years ago they were quite content to take for granted.

Overhauling the European system is a subject that would need a longer time perhaps than our few minutes.

In spite of the fact that I have been dogmatic here, I do not know all the answers by a long shot. I have been trying to answer definitely because of time. Obviously there is a steady shift in the social systems of Europe that is going on, with resistance, as usual, but which is pounding toward a balance. That is peculiarly true in Italy. There you see the demands against an Italian government which I had a good deal to do with putting together and most of whose members are my friends. I think the social reorganization of Europe will be achieved.

Mr. SMITH. What would be wrong with saying to some of these people who are asking for aid: we will give you this aid upon conditions one, two, three, four. When suggestions have been made to do that, the answer always is, well, it is better to use persuasion. Well, we have been using persuasion since UNRRA and Lend-Lease and all these give-away programs. We have made no progress by using persuasion and it seems to me that the time is appropriate to talk tough and insist upon conditions precedent.

Mr. BERLE. I can only say that it is not easy to force your point of view on a country that is intellectually unwilling to accept it. You have got to do it by a bit of persuasion, a bit of missionary work, and also a bit of pressure if it is to be effective. At the moment, until stability in terms of defense is created, I do not see that we are going to be able to spend a great deal of time revising other people's social systems.

Mr. SMITH. Can there be stability in our defense plans without the cooperation and support of those people?

Mr. BERLE. That is a very deep question and a question I have asked of myself many times. The answer, I think, is yes. France felt just that way in 1914, but she put on one of the best defenses that ever happened in spite of the fact that a French Socialist leader had been assassinated by a crazed conservative only a short time before. I think the Europeans, and particularly the peasants, the labor men in the cities, know very well that what they have now is changeable and reversible; whereas if they fall into the Soviet grip, nothing but an endless amount of death will ever win their way out.

My reason for feeling so is that I had three leaders of European labor unions in my office last week. They were asking us for propaganda material, help, in connection with a general system of economic education. I was glad to put the resources of the Twentieth Century Foundation Fund, which does economic research, at their disposal and tried to see whether anything could be got out of the Voice of America.

I agree with everything you say. I think, however, that while asking that, you still cannot delay the other. I do not think that the one is dependent on the other. The European workman, the European

lower class people, economically lower class people, have plenty of brains; they are not dumb at all; they still would rather risk working out their system—that is, most of them, not all, but most of them, working out their system in their own country than otherwise.

Chairman RICHARDS. Your time has expired, Mr. Smith. Mr. Zablocki.

Mr. ZABLOCKI. No questions.

Chairman RICHARDS. Mr. Roosevelt.

Mr. ROOSEVELT. No questions, Mr. Chairman, except I want to express my gratitude for Mr. Berle's appearing before the committee. We are always glad to see him.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. Mr. Berle, I want to express my appreciation for the excellent, sobering, and yet, I think, completely sound analysis and presentation you have made.

I noted your sentence that the Middle East is more important even than Western Europe. Do I understand correctly that what you mean by that is not that you are partial to the Middle East or sentimental about it but that you believe we cannot save Europe without the Middle East?

Mr. BERLE. I mean that. I also perhaps should have used the word "urgent." My impression is that the Soviet plan will challenge in Western Europe last because there they expect military resistance. The Middle East, however, is that part of the iron curtain where we are less prepared. It is wide open. This is why I gave it priority.

Mr. JUDD. Is this not also a reasonable conclusion, that if they get the Middle East and all that goes with it they will not have to destroy Western Europe in an invasion? They will shut it off from much of its raw materials and all our wonderful machinery just installed under the Marshall plan, they can take over and use; don't you think that is more likely their desire and goal than to invade Western Europe or destroy it?

Mr. BERLE. Very probably. Western Europe is like a city house with a big farm behind it and the Middle East is very largely that farm. You are absolutely right about that.

Mr. JUDD. Last month when the Secretary of State was before us, I asked him this question:

You said yesterday that time was on our side. Well, obviously the Russians seem to think it is on their side, because all their maneuvering since VJ-day has been to produce delay—for instance, at numerous conferences.

They have just finished one in Paris where months were consumed in gaining them time. I do not know whether they are more accurate and realistic in their estimates than we are. I hope we are, but their record for realism is better than ours.

I am not sure that time necessarily is on our side in a situation like that in the Far East.

What is your view on that?

Mr. BERLE. I feel that time probably is on our side, but I think we will be hopelessly derelict if we guide our policy on that theory. I mean by that that I have tremendous faith in the huge productive ability of the United States. But there is this difficulty: If you bet on time based on only the increase of our production, when the show-down comes you will also be betting American blood. Our production will only be made good by American boys beating their brains out against armies in some foreign country. For that reason, while I

think in the cosmic sense the Secretary of State was accurate, I should dislike to think that he was urging anyone to pursue a policy of delay on the theory that time would kindly take us out.

Mr. JUDD. I did not want to give the impression that that was his position, but I wondered what is your judgment, independently.

Mr. BERLE. Probably statistically time is on our side, but I do not feel that we can count on it and I think that to hold back on that ground means adding to time the product, American life.

Mr. JUDD. I further said to Mr. Acheson:

I think you will agree that, as was said yesterday, they would not have come into Korea if they had not expected they could get a quick victory and that we and the free world would not fight back.

Now that we have fought back they may think that they have gained all they can from that operation and it would be better to pick off Burma. By splitting India from the rest of southeast Asia, they would neutralize both of them, especially when they are also able to create trouble in Iran on the west of India.

My question is: What hope is there of salvaging the situation in Burma unless we can stop the Communists in the southern provinces of China?

Mr. BERLE. I cannot answer you, Mr. Judd. I am afraid, but would not care to commit myself, that the Burmese situation has got to a point where some organization of force will be needed, at least on that frontier. I have not enough information and could not have except as an official—should not have except as an official of the Government—to be able to answer it. I hope that there is still time to meet that situation in Burma with a little support from the outside.

We were wise—I like to think that maybe some words I was able to put in may have helped, to strengthen our Mediterranean Fleet. I think we would be wise now, if we can, in seeing that the line is run farther east, assuming that that is operationally possible. I hope it will be possible to create in Burma enough of a strength cadre, so the Chinese force does not rip up that country.

Your other question turns on whether it is operationally possible to move in the southern provinces of China. I cannot answer. I think the only people who can answer that are the Pentagon folks.

Mr. JUDD. I do not mean with our forces; what I want is to strengthen the anti-Communist Chinese enough so that the Communists could not move through them into Burma.

Chairman RICHARDS. Mrs. Kelly.

Mrs. KELLY. I, too, want to join my colleagues in welcoming Mr. Berle here today.

Do you feel that the people of the Middle East are aware of the critical situation now?

Mr. BERLE. Except in Iran, I rather doubt it. I believe that Iran is acutely conscious, the Iranians are acutely conscious that they lie within or between two huge forces because they have been repeatedly occupied and disoccupied by one or other of these powers. I am not sure that is equally true in Turkey. I have no evidence which suggests that the Arab fellahin or the fellahin in Egypt know very much about any of this or really care. But I cannot say that I am so well informed that I could be dogmatic about them. I think there that we really have not penetrated below the top layer but that may be wrong.

Mrs. KELLY. Did I understand you correctly in saying that we should give both economic aid and military aid, to that section of the world?

Mr. BERLE. I did not cover that point, but I think we must. Economic aid has certainly helped. How you handle military aid in each case would have to be a very close and very level-headed calculation as to whether military aid would tend to stabilize a region or whether it would be merely lost. I think the question would have to be dealt with region by region depending on each situation.

If you mean by military aid that eventually that area is going to have to be defended, my answer is, yes; I do not think that the United States could safely allow the eastern, especially the Arabian quadrilateral, to fall into Soviet hands without gravely prejudicing her own safety. And I think that probably the support we gave to Turkey was one of the most effective steps militarily that we have taken. Could like aid be given elsewhere? I rather doubt it. I do know that any of the countries, with the exception of Israel, are not yet in such shape that direct military aid could be of great help. But I stand subject to correction by men who have been over that subject in those areas.

Mrs. KELLY. I have one other question. In your statement, on page 3, I quote:

we can assist populations within the iron curtain who know, now, that the Communist promises are not fulfilled, and the enslavement of a population is a substantial result.

Have you any suggestions how we could do that?

Mr. BERLE. Yes, Mrs. Kelly, I have. I prefer not to make them in open session for reasons with which I am sure you will sympathize.

Mrs. KELLY. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. Do you think it is worth while to try to get the word through the iron curtain itself as well as the satellite countries? If we show the difference in ways of living we might bring pressure to break the repressions without having to use military force?

Mr. BERLE. I think a good deal can be done along that line. As a member of the National Committee on Free Europe, I have had something to do with the operations of what is called Radio Free Europe which, being private, can take somewhat more dangerous positions.

Mr. FULTON. I wanted to ask you about your success in that field.

Mr. BERLE. I can only say, as evidence of that success, that in connection with one of the diplomatic matters now pending, the Oatis case, it was obliquely suggested that the way would be smoothed to settle it if the United States would agree to shut down Radio Free Europe. I am glad to say that the State Department promptly refused to accept that suggestion. Obviously we have scored there. Such returns as one can get for an operation of that kind indicate that the scoring is steadily increasing.

Of course, we are not there representing the "American" point of view. We are permitting the exiles and the people who come out to state their own point of view. That is, we are not selling America so much as trying to give effect to the voices that feel otherwise than iron curtain in those countries.

Mr. FULTON. There are three countries that we have recognized and continue to recognize that have gone behind the iron curtain and have been obliterated before World War II. We still have their representatives, I believe. Those are Estonia, Latvia, and Lithuania. Do you think it would be wise to have something in this bill to encourage those governments-in-exile to keep going and also to keep contact with the people behind the iron curtain?

Mr. BERLE. There, I think, I can speak with a certain degree of assurance. As a very young man I was on the Baltic Commission after World War I, attempting to draw the boundaries and recognizing those countries. As an Assistant Secretary of State, when those countries were seized, I asked the Department, Mr. Hull, to use the power that the Secretary of State has to recognize what officer of a government is entitled to use the foreign balances of those countries in the United States. Those three governments had reserves which they kept, I believe, with the Federal Reserve Bank of New York. These balances were then frozen under the then-legislation which I think still persists. Mr. Hull recognized that the power over those balances should rest in the only remaining representatives of those countries which were their legations and consulates here, under a budget which would permit them to continue their representation. I believe those funds are not exhausted, though this is a pure guess on my part. I do not think as to that you need special action in this bill.

Mr. FULTON. I was inferring by that, do you think we ought to have them join us on these programs? Also to help on the things that we might be doing to help these people get out from behind the iron curtain and restore independence and freedom?

Mr. BERLE. The National Committee on Free Europe was originally set up for the iron curtain countries, excluding those three. In the past few months they have revised their policy to include Estonia, Latvia, and Lithuania so that there is one forum through which a certain amount can be done. Technical arrangements to beam broadcasts to the Baltic countries are slowly being worked out. I merely mention that something is being done along that line. I should defer to the State Department, which must decide these things, as to whether they would want to go further than that. It raises some questions. There is only a pitiful remnant of a government which is outside these countries. One of the terrible tragedies is that in at least one of those countries, Estonia, I do not know whether many Estonians are left now.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. Despite the deterioration, politically, in Iran, we do have one asset on our side, do we not, in that Russia has no immediate access to the oil; that is, they do not have any pipeline or efficient rail lines running by which they could utilize the oil output immediately.

Mr. BERLE. That is true. If Russia seized Iran, it is not a move which gives oil to Russia. It is a move which cripples western union. It is a distinctly offensive move. It is true that there is a railroad which runs up, winding through the mountains to the Russian border; we used it to send lend-lease goods into Russia during the war.

There is another fact which bears on your question. I understand that when the Russians occupied Azerbaijan 3 or 4 years ago they—later withdrew—did some oil drilling then. At all events, five or six wells were found, capped. They have never been uncapped, I am informed. It may be that the Russians have taken some steps to get additional oil supplies capable of being sent into the Soviet Union. My impression, however, is that the Russian underground oil reserve in her own country is adequate. It is drilling facilities and development that she needs.

The attempt to seize Iranian oil is more offensive. Only if she could command control of the Arabian quadrilateral, the Red Sea, and Suez and get through the Dardanelles, could she bring Iranian oil by water around to her Black Sea ports. In other words, she would have to get the whole Middle East. Russia would then have that oil and could use it rather rapidly by sea.

Mr. REECE. Since we have been giving rather close attention to that area and Iran in particular for some time, and conditions have tended to worsen, I am wondering if you out of your experience have any discussion as to how we could, and when I say, we, I mean America primarily, improve our situation there? It is somewhat discouraging when we have been giving attention to such an important area to see it almost slipping away from us.

Mr. BERLE. There is no use in going back to yesterday. I personally felt that we should have backed up—

Mr. REECE. If you will permit an interruption, I am sometimes impressed with the inscription on the Archives Building: What is past is prologue—study the past.

Mr. BERLE. Sometimes history helps. However, someone said that the only thing we learn from history is that we learn nothing from history. I suppose it may be true. I felt it would have been a good idea last year to back up the request of the Shah for a declaration of support when he proposed general reorganization of the Iranian Government. Later, as you know, he tried it without that support; General Rasmara was the man whom we had hoped to use for that purpose. Rasmara was later assassinated. Perhaps if we had used what in the light of hindsight appears to have been an opportunity, we would have been better off.

I rather wonder whether somewhat similar opportunity may not still be possible today? I feel that we still have access to the sovereign power of Iran. I feel that at least the head of that Government—I am not speaking of Mossadegh, I do not know—would be rather glad if he could see a way out; and if we were prepared with a rapid program which would tend to reorganize that Government, we might be able to act.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Chairman, I will just take a minute.

Chairman RICHARDS. I would like to say that we have four more witnesses tonight. For the information of the committee we want everybody to ask as many questions as he can in the 5 minutes. But we have to take into consideration the other witnesses who have come a long distance and expect to be heard.

Mr. Javits.

Mr. JAVITS. Mr. Chairman, I gather I am the last questioner.

Chairman RICHARDS. I should have called on you just now but I was recognizing Members on this side.

Mr. JAVITS. I am very glad to have you with us, Mr. Berle. Your statements and answers to questions have been very helpful. I gather you feel that in terms of nonmilitary effort the best thing we can do is get down to the grass roots in the areas we still have a voice in, the free world, and make it worth while, especially in the Middle East that you have described, for people there to defend freedom with their lives.

Mr. BERLE. That is right.

Mr. JAVITS. That is going to take not so much in the way of money because it is going to be elementary equipment, but it is going to take technically skilled personnel. Let us get our people out there right on the ground as widely spread as possible, following the very excellent example of the rural reconstruction effort for which my colleague, Dr. Judd, was so responsible. But that is the key to activity in the underdeveloped areas.

Mr. BERLE. That is right.

Mr. JAVITS. The other thing I gather you bring us is that our time is so short in military terms that we have got to capitalize wherever possible on our assets and hence the emphasis which Mr. Ribicoff, I think, so truly gave on an area which is sensitive, weak, and yet has a hard nut like Israel which can be a focal point of defense when you just have not time to build up others. Do I gather that you go along with that?

Mr. BERLE. Yes. In dealing with Israel, I hope no one will take it amiss if I say, do not forget the Arabs, too. Strong and magnificent as the achievements of Israel have been, there is still a tiny island in a huge Arab sea. We need to work both sides of the street.

Mr. JAVITS. No one has been more convinced than I of the fact that Israel is part of the Near East and as the Near East goes so Israel will go. She is intimately linked with the destiny and success of the whole area and of the Arab States.

Mr. BERLE. She lives or falls with the Near East and with the free world.

Mr. JAVITS. Thank you very much, Mr. Chairman.

Chairman RICHARDS. Thank you very much, Mr. Berle. We appreciate your testimony. I am sure that it will be very helpful to us.

Without objection, the statement submitted by the Honorable Joseph W. Martin, Jr., will appear in the record at this point.

(The statement referred to is as follows:)

STATEMENT SUBMITTED BY HON. JOSEPH W. MARTIN, JR., MINORITY LEADER,
HOUSE OF REPRESENTATIVES

In deciding how much we should contribute of our resources to strengthen the free world, we should be guided by certain principles.

We must help those whom we know to be sincerely with us in our fight for universal freedom. We must give special consideration to those nations that will more than match our contribution by the maximum use of their own resources and labor. The paramount test must be the security of the United States.

It was these considerations which moved me to respond affirmatively when the Government of Israel formally applied to our Government for a grant of \$150,000,000 to enable it to meet the critical problems arising out of its immigration program and to consolidate its economy. Recognizing the validity and the propriety of Israel's appeal, I introduced H. R. 3188 to authorize financial aid to Israel.

I said that we must help those who are with us in our fight for universal freedom. In the 3 years of its existence, Israel has given clear demonstration of its determination to stand with those people favoring a free world. It is an outpost of the free world in an area under the shadow of the totalitarian menace and under pressures from the same sinister and antidemocratic forces which threaten our own security.

All of us are familiar with the fact that Israel introduced free institutions into a region where these were almost literally unknown. Going beyond that, Israel, taking a course conspicuously different from that of some of its neighbors in Asia, has repeatedly voted with the west in the United Nations—affirming its belief that aggression must be checked and that the free world must be defended. Israel has not been affected by the false doctrines of neutralism and hypernationalism, which are the propaganda tools of Communist aggression.

Israel's appeal for aid comes from a people who have done and are continuing to do everything possible to attain economic self-sufficiency and stability by their own labor. In the first 3 years of its existence, the new state defended its frontiers, established the apparatus of government, and made remarkable progress in the expansion of industry and agriculture. But its most extraordinary achievement was that it made good on the pledges of its founders by providing a haven for more than 600,000 immigrants—many of them utterly destitute.

All of us recall that our country favored the opening of Palestine to Jewish immigration. I do not think any of us ever dreamed that within such a short period the people of Israel would empty all the Jewish displaced persons camps in Germany, Austria, and Italy and, in addition to that, absorb close to 300,000 Jewish people from the neighboring Moslem countries. The great part of these incoming settlers are without means of any description and it has been a tremendous financial problem to receive them and to settle them—a problem which has been solved largely by the heroic sacrifices of the people of Israel themselves who generously shared what little they had with those less fortunate than themselves. Our own Jewish citizens in this country responded with magnificent generosity to Israel's appeal for help and by and large this huge immigration was financed by the Jewish people themselves. But the program has not come to an end. We are told that this little country is determined to receive another 600,000 immigrants in the next 3 years. From the experience of the last 6 months, this would appear to be a conservative estimate for, according to figures I have seen, for the first 6 months of this year, 128,000 came into the country. In the month of April, they came at the rate of more than a thousand a day.

Now it has seemed to me that our Government might well have given economic assistance to help put this little State on its feet. Several years ago, we were spending large sums of money to take care of the DP's in Germany, Austria, and Italy. We no longer have that responsibility. Israel has assumed that burden. The plain fact is that American foreign policy gave political support to the establishment to the State of Israel for some years. But we did not back up this political aid with the economic assistance this struggling State so urgently needs despite our close friendship with them and the significant role we played here in Congress and at the United Nations to bring this State into being.

I am proud to recall that the Republican Party for many years supported the principle of establishing a national home for the Jewish people. The first national legislature to adopt a resolution affirming that principle was a Republican Congress, which, in 1922, established the foundation of our American policy on this issue. In 1944, the Republican Party was the first to write into its national platform a declaration subscribing to this objective. We have been steadfast in our support throughout. Yet here is an issue which must transcend partisan views and I am happy that this legislation has been sponsored similarly by my colleague, the distinguished majority leader, Mr. McCormack of Massachusetts.

Since the introduction of H. R. 3488 and similar legislation in the Senate, the administration has accepted the principle of aid to the Near East and Israel is to be included in the proposed Mutual Security Program for 1952. I understand the amount allocated does not take into account Israel's actual needs but appears to have been determined by some sort of artificial formula which seemingly equalizes Israel and her Arab neighbors.

In making this statement in support of assistance to Israel, I would emphasize that I do not oppose assistance to the Arab states. I favor such assistance. In particular, I warmly support the proposals to resettle the Arab refugees. The sooner the Arab refugees are resettled in the Arab countries, the closer we will be to the solution of a tragic problem.

In urging American aid to Israel, I have in mind the extraordinary burdens which Israel has assumed and I am primarily concerned with American interests

in the consolidation of a sound and secure and friendly state in the Near East. It seems to me, we should consider each request for aid on its merits. Israel has made a plea for substantial assistance. We ought to consider that plea, objectively and fairly. We cannot in justice have our answer to that request on the needs and attitudes of other countries in the area in which Israel exists.

We have pressed for a realistic and American attitude in the formulation of our foreign policy. Sometimes we have acted on unrealistic policies which have led to costly errors and as a result of which we have been compelled to make sacrifices of blood and treasure. We should beware lest we should again be plunged into a crisis because of an inability to apprehend the relative significance of the Near East. There is every danger that this area will become a vacuum into which totalitarian forces will flow unchecked. We must take steps to assure that this will not occur. The Near East is a strategic target of Communist imperialism. Let us bear that in mind as we consider the amount that is to be allocated to Israel and to the area as a whole. Let us ask whether it is an adequate proportion of our over-all foreign-aid program in the light of the increasing importance of the Near East and our neglect of the area in the past.

We must have an American policy in the Near East that recognizes the friends in that part of the world who are ready to cooperate fully with us in the defense of freedom. If we consider the question from that viewpoint, I am sure that we will go far to honor the request of this young republic. Here is aid to a country which will over the course of the years, repay us many times over. For it will stimulate the forces of freedom in the area. It is giving the positive answer to totalitarian propaganda. It is demonstrating conclusively that in a country which honors the freedom of the individual there can be a steadily advancing standard of living for all the people.

The devotion of the people of Israel to liberty is one of the bright spots in the Old World today. We have seen how the gallant young people of that country bravely fought through a war of independence—a struggle which stirred the American people, for it recalled the epic chapters of our own history. The Israelis have not relaxed their vigilance. They live in a tense and troubled area; they know that they are on the frontier of danger. They are prepared for any eventuality. The young army of Israel, with more than 200,000 men and women, is one of the strongest forces for the survival of freedom in the Near East. The expanding industrial plant in Israel, steadily growing in quantity and diversity of output, can make that country the industrial workshop of the Near East. By word and by deed, the young State of Israel has demonstrated its willingness to stand firmly and resolutely against the forces of tyranny and despotism. It can be an outpost of American strength and influence in the Middle East. There is no doubt in my mind that to help Israel is to make America more secure.

Chairman RICHARDS. Our next witness is Mr. Louis Lipsky representing the American Zionist Council. I believe there are two other witnesses, Dr. Joseph Schwartz and Mr. Robert R. Nathan, who wish to be heard tonight. Is that correct?

Mr. LIPSKY. That is correct.

Chairman RICHARDS. Do you have separate statements?

Mr. LIPSKY. That is right.

Chairman RICHARDS. All right, sir.

STATEMENT OF LOUIS LIPSKY, CHAIRMAN OF THE AMERICAN ZIONIST COUNCIL

Mr. LIPSKY. Mr. Chairman, ladies and gentlemen, we are grateful to you for the opportunity to be heard on the important matter now under your consideration, especially with reference to aid for Israel. I represent the American Zionist Council, which includes all Zionist groups in the United States and speaks for an aggregate of about 700,000 members. The parent body of the present council dates back to 1897. We are parties in interest here, for what has been achieved in Israel during all these years is to a large extent the result of a half century of devotion to a great humanitarian cause on the part of American Jews.

I would like to submit to this committee our views on the Mutual Security Program in the Near East and North Africa. We wish to place on the record our conviction that the program does not provide adequately for the area as a whole and for Israel in particular.

We would recall to this committee that in March of this year, the Government of Israel formally requested a grant-in-aid of \$150 million to enable it to overcome the extraordinary economic problems resulting from its immigration program. With the permission of the chairman, I would like to introduce into the record, unread, the text of the note to the Secretary of State by the Ambassador of Israel, Mr. Eban, as well as a memorandum, "Why Israel needs American Aid," submitted by the American Zionist Council.

Chairman RICHARDS. Without objection, that will be included in the record.

(The documents referred to are as follows:)

WHY ISRAEL NEEDS AMERICAN AID

A memorandum presenting the reasons why Israel has asked assistance from the United States Government and why it is in the interests of the United States to respond to Israel's request. Submitted by American Zionist Council, New York, N. Y.

I. THE AID TO ISRAEL LEGISLATION

Legislation has been introduced in Congress to authorize a \$150,000,000 grant to the State of Israel "to assist the people of Israel in developing their natural resources, expanding their agricultural and industrial economy, and increasing their productive capacity and facilities, and, by such assistance, to promote the security and general welfare of the United States and of Israel. * * *

2. In the Senate, S. 1247 is sponsored by Senators Douglas, Taft, Anderson, Benton, Brewster, Butler of Nebraska, Cain, Duff, Ferguson, Gillette, Hendrickson, Hennings, Hill, Humphrey, Hunt, Ives, Johnson of Colorado, Kefauver, Kilgore, Lehman, Lodge, Magnuson, Martin, McMahon, Morse, Murray, Neely, O'Connor, Pastore, Saltonstall, Smith of Maine, Smith of New Jersey, Sparkman, Thye, Tobey, and Young.

3. Similar legislation has been introduced in the House by the majority and minority leaders, Representatives John W. McCormack (H. R. 3458) and Joseph W. Martin, Jr. (H. R. 3488). More than 150 Members of the House of Representatives have signed a declaration supporting these bills.

4. This legislation affirmatively answers the request submitted by the Government of Israel to the Department of State on March 22, 1951.

Consistent with past American policy

5. The proposal is consistent with past American policy. Our country played a decisive part in the establishment of the modern State of Israel. Six Presidents favored that objective; the American people gave bipartisan endorsement to it. Congress, through a joint resolution adopted in 1922, was the first National Legislature in the world to go on record in favor of Jewish aspirations to Palestine. In 1945 Congress adopted a concurrent resolution advocating free Jewish immigration into, and unrestricted development of, Palestine as a democratic commonwealth. The United States gave its support to the United Nations resolution of November 29, 1947, which authorized the establishment of a Jewish state in Palestine. On May 14, 1948, the United States was the first Government to recognize Israel on the day of its birth.

II. THE INTERESTS OF THE UNITED STATES

6. *A strong Israel is vital to the security and welfare of the United States.*—Israel is a significant link in the chain of free countries which must counter the threat of totalitarianism. Assistance to Israel would be in accord with the program which the United States has carried on since July 1, 1945, in its efforts to brace the free world and to make it possible for democratic nations to consolidate the military victory of World War II. More than 65 countries have been aided in our country's foreign assistance program which has exceeded \$40,000,000,000 in grants and loans. In his state of the Union message on January 8, 1951, the President urged

continued overseas assistance. For Western Europe, he emphasized the need for military defense. For the Near East, Asia, and Africa he underlined the need for economic assistance to "help people who are striving to advance from misery, poverty, and hunger, and to give them a real stake in the future and reason to defend their freedoms."

And on May 23, 1951, in his message to Congress, the President disclosed that the administration had accepted the principle of Israel's inclusion in the foreign aid program. Without specifying the amount to be allocated to Israel, the President declared:

"The program for Israel will help that country to maintain her economy during an especially trying period of her national development."

Israel is a bulwark

7. In presenting the Israel aid bill in the Senate on April 2, Senators Douglas and Taft joined in asserting that "important strategic factors indicate the vital importance of helping this new nation to keep herself healthy and strong and free. The menace of new aggressions by Communist tyranny in Iran or elsewhere in the Near East is great. Israel is a bulwark in that area for world democracy. In the light of American self-interest, we cannot ignore the situation prevailing in those countries."

8. The democratic world must heed recent alarming trends in the Eastern Mediterranean. Invaluable oil resources may be denied the west as a result of developments in Iran and Iraq, while Egypt has stepped up its campaign to force Britain to withdraw the last western defenses from the vital Suez Canal. Fanatic nationalists gain ground, diminishing the credit of the democracies, encouraging Communist elements, preaching neutrality and making the Near East easier prey to Soviet ambitions. Once again, as in the last war, the Arab world gives sign that it will be immobilized, and, in the event of conflict, withhold friendship and assistance from the cause of freedom.

9. Against this background of distrust and intrigue, Israel stands out clearly as the dependable exponent of democracy in the Near East. The new state has given impressive proof of its democratic character. Having fought a bitter struggle for independence, the people of Israel cherish the rights guaranteed by democratic governments. The new state introduced democratic institutions and practices into a part of the world where these were almost unknown—democratic elections, universal franchise, representation for minorities, votes for women (Arab women voted for the first time in history) and compulsory education.

10. *The people of Israel are ready to fight for democracy.*—The Prime Minister and the Foreign Minister of Israel have declared repeatedly that Israel will resist by force any attempt to invade it from without or to subvert its institutions from within. In his address before the National Press Club at Washington on May 8, 1951, Prime Minister David Ben-Gurion pledged his country to the full support of "every measure which strengthens world peace and opposes aggression. We shall cooperate untiringly with all who set their faces against the enslavement of the soul of men."

Israel supports the UN

11. Israel's foreign policy is based on the Charter of the United Nations. Israel supported the Security Council resolutions branding North Korean aggression and the General Assembly resolution calling for a unified and independent Korea. She contributed medical supplies for the United Nations forces fighting in Korea and for Korean refugees. Surrounded by hostile Arab states which refuse to make peace, Israel is not in a position to risk dispatch of a military detachment to the Korean front. Israel also voted for the resolutions indicting Communist China as an aggressor and calling for sanctions, and she backed the United States plan to strengthen the General Assembly in the event of a veto in the Security Council. Israel's active support of the principles of the United Nations throughout this critical period has been in sharp contrast to the stand of other states in Israel's neighborhood.

12. The people of Israel have demonstrated their capacity to fight in democracy's defense. They were the one community in the Near East which fought on our side in World War II. Some 30,000 men from Jewish Palestine were in the British forces. Many others who now serve in Israel's Army fought in the United Nations' coalition in Europe and in underground anti-Nazi resistance movements.

13. The Israelis were greatly outnumbered by the Arab armies which launched their invasion to reverse the United Nations decision in May 1948. The Israelis fought with crude and inadequate weapons and with little assistance from outside. They suffered heavy casualties. But they won decisively.

Israel's fighters . . .

14. Today, aside from Turkey, Israel has the strongest army in the Near East. Official figures are not made public, but it is estimated that the army grew to more than 100,000 during the war for independence. With the arrival of many new immigrants and universal military training for both men and women, it is estimated that the army, air force, and navy potential now stands well over 200,000—many of them well-trained and seasoned fighters.

. . . And workers

15. Israel's industrial capacity is equally significant. In World War II, Jewish Palestine delivered approximately \$100,000,000 worth of goods and services to the allied forces. In addition, it met many essential civilian requirements of the Middle East, thus saving the Allies vital shipping space. Among the military end products which were delivered were 3,000,000 land mines, 8,000,000 to 9,000,000 yards of electric cable, 1,000,000 pairs of boots and shoes, and many other items, including storage and dry cell batteries, machine gun parts, barbed wire, light naval craft, cranes, tents, tarpaulins, uniforms, pharmaceuticals. Jewish engineers, architects, building contractors, and workers constructed fortifications, bridges, harbor installations and air fields, all over the Middle East, as far as Iran and Bahrain. Jewish Palestine delivered oil from its Haifa refinery and vast quantities of potash, bromine and other chemicals from its potash plant.

16. The peak World War II industrial effort was in 1943, when the Jewish population of Palestine totaled 639,000 persons and the gainfully occupied numbered 225,000. By the end of 1950, the Jewish population of Israel had reached 1,200,000, and in July of that year the gainfully occupied were estimated at 395,000. While the total labor force in industry and handicrafts in 1939 was 36,000, this figure had increased to 90,000 in January, 1951. Moreover, there has been an even more rapid influx of capital into Israel's industry. During the World War II years of 1940-42 about £ P3 million were invested in industry per year. This rate of investment was about the same as prevailed in prewar years. In 1949, £ 11.5 million were invested in industry and in 1950, £ 15 million.

17. A considerable volume of this investment came from United States corporations and individuals. The General Shoe Corp. of Nashville, Tenn., participated in financing and setting up a modern \$1,000,000 shoe plant in Jerusalem. Kaiser-Frazer participated in a \$2,600,000 automobile assembly plant near Haifa. The new Petach Tikva tire factory of the General Tire & Rubber Co. of Akron, Ohio, is now being completed, and an equally large tire and rubber factory is being constructed with the aid of technical services supplied by the Dayton Rubber Co. Machinery for the new \$500,000 Precision Tool & Die Co., Ltd. plant (sponsored by Bulova) is now being installed.

18. Scientific research in Israel is on a high level and is geared to the country's development. Israel's workers and machines can service and maintain the vital equipment of a modern military force.

19. The result of the influx of labor and capital into Israel is a net output of industry (national income originating in industry and handicraft) of £ 62 million (\$173,600,000) in 1949 and £ 80 million (\$224,000,000) in 1950. The most reliable indicator available for measuring the growth of Israel's industrial output, the consumption of electric power by industry, shows a growth from 25.1 million KWII in 1939, to 49.5 in 1943, to 96.9 in 1949 and 140.6 in 1950. The percentage increase from 1948, the year of the establishment of the State of Israel, to 1950 was 97 percent.

20. To provide food for its rapidly expanding population, the new State has been pushing its agricultural development. The rapid growth is demonstrated by the increase in irrigated land. Thus on April 1, 1949, 80,000 acres were under irrigation. Two years later, this area had increased to 121,000 acres. By 1953 will be 201,000.

Israel's strategic importance

21. Israel is strategically located. A bridge between three continents, it has a relatively long coast line, with a major seaport at Haifa and a great airport at Lydda. The port at Tel Aviv is to be developed. There are a number of important airports both in the north and south. Israel is 125 miles from the Suez Canal, 160 miles from the British sea and air bases at Egypt. It is adjacent to oil-rich areas. Jewish Palestine was a base of land, air and sea operations in the Allied campaign in World War II.

22. It is in this context that Israel's unprecedented immigration program must be appraised. That program, which has so severely taxed Israel's economic re-

sources, is designed to give sanctuary to people in need, and at the same time to advance the economy and security of the country. The steady increase in Israel's population provides trained and efficient workmen and manpower for the army, navy, and air force, enhancing the country's military security and its capacity to resist aggression and to maintain the peace.

23. Israel's role as a communications center, supply base, and production arsenal must be taken into account by those concerned with the defense of freedom.

III. THE NEEDS OF ISRAEL

24. Why does Israel, growing in population, productivity, and strength need economic assistance? The answer is that the population has virtually doubled in 3 years and that those who have been coming into Israel are, for the most part, destitute and without resources. The land itself, barren and neglected for 20 centuries, has not had the agricultural and industrial plant and the necessary capital to absorb the vast new influx as it poured into the country.

25. Under normal conditions, Israel might have gone far toward self-sufficiency without outside help. But one of the major reasons why the new State came into being was to provide a home for the hundreds of thousands of homeless Jews, dispossessed, displaced, and dispersed by the Hitler era, the Second World War, and postwar persecution. The plight of these homeless people, many of whom were liberated from the Nazi concentration camps and saved from the gas chambers and crematoria by American soldiers, aroused the deepest sympathy and concern everywhere. But even after their liberation they were compelled to remain for many months in displaced-persons camps. The Congress of the United States in 1945 called for their transfer to Palestine.

26. President Truman made repeated efforts to secure the admission of 100,000 Jews into Palestine, and on July 2, 1946, the White House declared that the Government of the United States was prepared to assume technical and financial responsibility for the transportation of these immigrants. Again, on October 4, 1946, the President declared:

"Should a workable solution for Palestine be devised, I would be willing to recommend to the Congress a plan for economic assistance for the development of that country."

The population almost doubled

27. Not 100,000—but 600,000 immigrants—have been brought into Israel since the establishment of the state. The population practically doubled, for there were only 650,000 Jews in Jewish Palestine on May 14, 1948. The newcomers came at a spectacular rate. Between May 14 and December 31, 1948, there were 101,622 immigrants (although during that period the country was engaged in repelling the invading Arab armies); in 1949, there were 243,538; in 1950, 169,831. Immigration has soared in recent months. In the first 4 months of 1951, there were 79,719. In April 1951, alone, 30,202 refugees came into the country.

28. These immigrants included most of the Jewish displaced persons in Germany, Austria and Italy. Great numbers came from Eastern Europe, many of them members of the now dispossessed middle class. Most of what was left of the Jewish communities in Germany, Austria, Bulgaria, Yugoslavia, Czechoslovakia, Poland, Yemen, and Cyrenaica have now emigrated to Israel. Analysis of the countries of origin shows that as of May 1, 1951, 273,355 or almost half came from Yemen, Iraq, and the unhappy ghettos of other Moslem lands in the Near East and North Africa. The migration of many of these people to Israel has been in the interests of world peace, for they had been living in sensitive areas at points of potential friction.

How the program was financed

29. Israel's resettlement program substantially reduced the expenditures of international relief agencies and of our own Government. For, prior to their transfer to Israel, great numbers of the displaced persons had been wards of those agencies and of the American Government in Germany and Austria.

30. Theoretically and morally, the salvation of displaced persons was an international responsibility. But Jews throughout the world, concerned for their kin, took a great part of the burden upon themselves. From 1918 to 1950, the American Jewish community raised approximately \$230,000,000 to assure permanent sanctuary in Israel for the refugees. This is exclusive of large contributions to Jewish Palestine before the state was established. The Jews of Israel surpassed even American Jewry in self-sacrifice. The 650,000 Jews living there when the state was created contributed more than \$245,000,000 through taxes, advances, and gifts for the reception of the newcomers during the same period.

31. In contrast to this \$475,000,000, sums provided by international and governmental assistance were not large. During the 3-year period, the International Refugee Organization paid to the Joint Distribution Committee and the Jewish Agency for Palestine a total of approximately \$21,000,000 for transportation costs.

32. Israel was not included in the ECA, nor did the economic program for Palestine which the President proposed in 1946 develop. The assistance Israel has been able to secure in the United States has been primarily in the form of loans. The United States Export-Import Bank authorized 15-year loans totaling \$135,000,000 at 3½-percent interest for machinery, equipment, and supplies to be purchased in this country. The United States entered into a point 4 agreement for \$100,000 to train Israel technicians. Under the Smith-Mundt bill, \$87,580 was allocated for the exchange with Israel of professors, specialists, students, etc. Through American charitable organizations which assumed the transportation costs, the Department of Agriculture channeled surplus agricultural commodities valued at \$23,000,000. This aid has been warmly appreciated by the people of Israel and it is gratifying that our Government has given this measure of assistance to the new State. But it must be emphasized that the greatest part of this unprecedented immigration was financed by the sacrifices of the people of Israel and the unparalleled philanthropy of the Jewish people of the United States.

The effect on Israel's economy

33. The great influx of immigrants, coming at the average rate of more than 4,000 a week (it was 7,000 a week in April 1951) has resulted in an adverse trade balance characteristic of all countries flooded by new settlers while in the early stages of economic development. Israel must import far more than she can export. In 1950, imports totaled \$287,220,000 while exports brought in only \$38,960,000. With its limited dollar supply, Israel has had to choose between meeting the daily needs of its expanding population and acquiring the machinery and materials essential to make its people productive. It chose the latter course and its people have had to pull in their belts. The story of Israel's economic crisis is told most grimly by Israel's rations. An Israeli is allowed no more than 4.3 ounces of meat each week (if it is available) and no more than three eggs each week. And some weeks, he does not receive even that.

34. *Israel's economic problems are intensified by the need of maintain large military forces and to be ready for any military eventuality.*—Israel has repeatedly declared its readiness to negotiate a peace settlement with its Arab neighbors. Unfortunately, these efforts have not yet culminated in peace. As a result of this abnormal political situation, there is no official trade between Israel and its neighbors. Israel cannot acquire food nor sell its products in its immediate vicinity. It must bring some of its imported products from long distances at much greater expense. This blockade, which the Arab states have vowed to tighten although it does injury to the Arabs no less than to Israel, makes further inroads on Israel's hard currency.

The task is far from completed

35. The inescapable fact is that Israel's enormous tasks and responsibilities are inadequately financed, despite the outpouring of philanthropy and the sacrifices of the population. There is much more to be done. The end is not in sight.

36. There are large Jewish communities which cannot remain where they are. They must emigrate to Israel. It is their only hope of deliverance. At this moment there is a dramatic exodus from Iraq; where a reign of terror has been visited upon the Jewish community, the oldest in the world. More than 100,000 Jews have registered to go to Israel. By government decree, Jewish bank accounts and property amounting to \$44,000,000 were frozen. In 1950, 26,492 Jews came out of Iraq to Israel; in the first 4 months of 1951, another 45,775; in April 1951, they came at the rate of 5,000 a week.

37. Meanwhile, immigration of Jews from other countries must go on. The threat of world conflict impels oppressed Jewish minorities to find haven while they still can. The Israel Government cannot assume the moral responsibility of delaying the migration of any Jewish community whose security is threatened. The brutal extinction of 6,000,000 Jews in World War II sears the memory of every Jew. The Government of Israel is determined that nothing shall be left undone to rescue those who still survive. Jews everywhere understand and share that determination. This historic impulse will not be denied.

IV. ISRAEL'S 3-YEAR PROGRAM

38. Concerned with Israel's needs and responsibilities, leaders of the American Jewish community and the Israel Government, meeting in Jerusalem last Septem-

ber, agreed on a 3-year development program to consolidate and expand the economy of the State and to make possible the absorption of another 600,000 immigrants whose entry within the next 3 years is imperative.

39. The estimated cost of this 3-year program is \$1,500,000,000. To raise this sum, the people of Israel are ready to make continued sacrifices. They have undertaken to provide one-third of the goal—\$500,000,000. Jewish communities throughout the world and especially in the United States have promised to continue contributing to the United Jewish Appeal, to stimulate private investments in Israel and to purchase Israel bonds.

Mortgaging Their Future

40. The Israel Government's \$500,000,000 bond issue went on sale in the United States on May 1, 1951. There are two issues: One, 15-year 3½-percent coupon bonds, and the other, 12-year saving bonds which mature at 150 percent of issue amount. Thus the people of Israel, providing a large part of the cost of their 3-year program out of taxation, savings, sharing, and gifts, are, in addition, mortgaging their future earnings for years to come by this large-scale borrowing. From the outset they have been determined to do as much as they could without appealing for outside help.

41. Those who have suggested that the proposed grant for Israel should be converted into a loan should take into account the extent to which the people of Israel have already sacrificed and obligated themselves and to consider further that 83 percent of the United States foreign-aid program for other countries in 1949 was in the form of grants rather than credits, and that in 1950, grants accounted for 92 percent of the program. (Source: Department of Commerce.)

42. Clearly, this rehabilitation and development program is of such magnitude that it cannot be completely financed by private effort alone. It is for this reason, and because of the international significance of Israel's effort, that an appeal is being made to the Congress of the United States to aid Israel as it has aided so many other freedom-loving countries.

V. THE EFFECT ON REGIONAL AND WORLD STABILITY

43. Some Arab League leaders have already attacked the proposed American aid to Israel (indeed, they go so far as to attack American aid to the Arabs). It will therefore be contended that assisting Israel will alienate the Arab states, which still maintain economic, political, and guerrilla war against the new state.

44. The threat of Arab displeasure is not a new argument. It has been projected into every turn of the Palestine debate for the last 30 years, and discredited by every development. On the eve of World War II, as a concession to the Arab states, immigration to Jewish Palestine was sharply restricted, and untold thousands of Jews who might have found sanctuary there were condemned to die in Hitler's death camps. Yet, despite this tragic bribe, the Arab states remained neutral and nonbelligerent, refusing to join the Allied forces, and Arab leaders collaborated with the Nazis. To suggest that Israel should be offered up to the Arab states as the price of their appeasement and therefore to reject Israel's urgent plea would be injustice. It would make the United States a partisan on the side of those who engage in boycott and war. It would further that boycott and war.

Congress—Not Arab League—Must Decide

45. On the other hand, if the United States grants Israel assistance, ignoring Arab threats and complaints, it will promote the pacification of the Near East. For it will encourage those elements in the Arab world which seek a peaceful settlement with Israel. It will demonstrate the futility of the misguided policy of those who spurn peace and strive for Israel's economic collapse and eventual military subjugation.

46. The relations between Israel and the United States, affecting the pace of Israel's growth and development, the life and security of the hundreds of thousands who have found home and freedom in Israel, concepts of American security in a strategic area—all these must not be determined by the Arab League. They are matters for our own Congress to decide.

47. The President's message calling for economic assistance to the Arab states and Israel in a regional program brought angry protests from Arab nationalists, directed against the proposition that the Arab states become beneficiaries of the United States. Arab countries have been reluctant to ask for American assistance lest they thus forfeit their independence.

On May 29 and 30, dispatches reported indignant reaction in Damascus and other Arab capitals. The New York Times said on May 29:

"Khaled al Azam, Syrian Premier, responded cautiously to the uproar in the press and the comments by various political leaders. Without mentioning directly the American aid offer, he told Parliament tonight:

"We are not ready to barter our liberty and independence, and we are not ready to sell our liberty for a few coins. We are well aware of the importance of the geographical location of our Arab countries."

"Radical leaders in Parliament were not cautious. Mustafa al Sibal, chief of the Islamic Socialist front and the principal preacher of the Moslem Brotherhood, made this warning in a press declaration:

"Although we need military aid, we refuse to throw our sons and our country into the furnace of a war in which we have no interest. To place us on an equal footing with Israel is, I fear, the result of a desire to extend military aid to Israel without provoking Arab anger."

"Maaruf al Dawalibi, who created a sensation when, as Minister of Commerce in the previous Cabinet, he proposed a pact with Russia, said:

"The Arabs will not benefit from this proposed American aid. Israel will receive tenfold the Arabs' share. To accept aid would amount for Arabs to committing suicide."

48. Arab indifference and hostility to American assistance would seem to invalidate proposals that Israel's needs and request should be considered only in the context of a regional arrangement. It is inequitable to "equate" Israel with the Arab states in a foreign aid program. In such an approach there is the danger that aid may be allocated on the basis of mechanical calculations—area, population, etc.—which ignore the dynamic factors of need, growth, and opportunity. All the states of the Middle East need aid. The only fair approach is to allocate them aid on the merits of their objective needs which do differ widely, and not to attempt artificial equalization. Account must be taken of the vast differences between Israel and the Arab states:

(a) Israel asks for assistance. The Arab states make no such request.

(b) Israel needs assistance because its population is growing and it does not have the resources to absorb all its newcomers. The Arab states remain static and their rulers reveal no passionate desire to improve their lands or raise the standards of their peoples. Significantly, the recent border clashes arose out of Syria's bitter opposition to the Israel project to drain malaria-infested marshes. The incident illustrates the incongruity of permitting countries whose leaders make war against reclamation of the land to determine the standards, objectives, and progress of a region.

(c) Israel faces economic difficulties and an acute foreign exchange deficit. The Arab countries have had substantial hard currency income from oil royalties, cotton crops, tourist trade, and the tolls of the Suez Canal. But rather than spend their funds on the development of their economy, Arab rulers prefer to use their balances to import expensive cars, jewelry, radios, and other luxury goods. These countries are heavy purchasers in the gold markets of the world.

(d) Israel is a democratic country, standing with the democracies. The Arab states are semi-feudal societies, whose rulers are primarily concerned with the maintenance of their own status. The Arab states stand by themselves. Thus Syria and Egypt refused on May 18, 1951, to join the west in imposing sanctions against Communist China, at the United Nations.

Initiative must not be crippled

49. These differences in attitude and need make it extremely difficult—if not impossible—to find a fair formula for the allocation of assistance on a regional basis. The refusal of the Arab states to promote development must not be used as a curb on Israel's progress. Israel, having survived its neighbors' hostility must not be crippled by their inertia.

50. Nor should this attitude of the Arab states be permitted to prejudice the proposed resettlement of the Arab refugees, victims of the war of aggression launched against Israel by the Arab states and the Arab Higher Committee in 1948. The program of financial assistance to the Palestine refugees contained in the President's message of May 23, 1951, should be given favorable consideration, independently and on its own merits. Funds are urgently needed for the resettlement of the Arab refugees, just as they are required for the resettlement of the Jewish refugees coming into Israel. Neither of these humanitarian projects should be allowed to suffer because of the apathy and hostility of the leaders of the Arab League.

51. Israel has not objected to economic aid to the Arab states. It favors social development and rising standards throughout the Near East for it looks forward to the time when all states in the area will unite in economic cooperation. Israel's economic program—the simultaneous rehabilitation of the people and reclamation of the land—will eventually give stimulus to similar development elsewhere in the Near East. Here is a pilot plant—an example of what can be done in underdeveloped areas. It will lift the hopes and aspirations of other peoples. The governments of the neighborhood may, by the force of Israel's example, be compelled to join in the development of their own neglected lands, the stimulation of production, the expansion of trade and—above all, the emancipation of millions of people from want, ignorance and disease.

52. But, until these governments are aroused from their lethargy and indifference, Israel must not be penalized and denied the assistance it so vitally needs. If Israel can overcome its economic problems, if it can achieve stability and raise the living standards of its people, it will have demonstrated the integrity of democracy in the undemocratic Middle East. Should Israel succeed, democracy will win new adherents and allies among many millions of people who have not attained full political freedom and economic equality. But should the one advocate of democracy in the area fail, the democratic concept would be discredited in a crucial frontier zone and antidemocratic propaganda would reap a harvest. Feudal soils are fertile ground for alien ideologies.

VI. CONCLUSION

53. Aid to Israel means aid to a people eager and ready to aid themselves. Their country is poor in natural resources but rich in a major asset—people, who have made the most of very little. Whatever aid is given them, they will multiply many times by their initiative, their enterprise, their dedication to their independent future.

54. Aid to Israel means:

(a) A continuation of the American policy of friendship for the new State which our country helped to create.

(b) The regeneration of masses of homeless people, of an undeveloped land and of unexploited resources.

(c) The strengthening of the economy, the agricultural and industrial potential and the military force of the one genuine democracy in the Near East.

Finally, aid to Israel means strengthening the United States and the United Nations. It means fortifying the one community in the strategic Near East which is strongly determined to defend its independence and the part of the world in which it stands.

TEXT OF NOTE PRESENTED BY THE AMBASSADOR OF ISRAEL, ABBA S. EBAN, TO THE SECRETARY OF STATE—REQUEST FOR GRANT-IN-AID

1. The Ambassador of Israel presents his compliments to the Honorable the Secretary of State and has the honor to submit herewith a request by the Government of Israel for financial assistance by grant-in-aid from the United States of America, to the extent of \$150,000,000 for the period July 1, 1951, to June 30, 1952.

2. After estimating its potential sources of foreign exchange for that period, and notwithstanding the remarkable efforts and sacrifices which the people of Israel are making toward the attainment of economic stability, the Government of Israel still faces the prospect of a considerable dollar deficiency. If this shortage cannot be made good, it will become impossible to maintain living standards even at their present reduced level, while Israel's industrial and agricultural development is liable to become impeded, or even paralyzed, through lack of continuous supplies of raw materials and capital goods. On the other hand, the availability of adequate dollar exchange would enable Israel to advance rapidly toward increased productivity and economic equilibrium during the coming few years of heavy immigration.

3. The Government of Israel has observed the historic role of the United States aid programs in enabling many other friendly countries, in similar emergencies, to achieve rapid economic recovery. It also recalls with gratitude the many acts testifying to the special ties of friendship between the peoples of the United States and Israel. In that spirit the Government of Israel now calls attention

to its economic problems, many of which go far beyond the normal scope of national responsibility.

4. Immediately upon the proclamation of its independence, and while still struggling against heavy odds for sheer physical survival, Israel set itself to discharge the primary mission for which it was established. Waves of immigration have converged upon Israel from all parts of the world, especially from Central, Southern, and Eastern Europe, and from Islamic countries in West Asia and North Africa. The Jews remaining in Central and Eastern Europe are but the pathetic remnants of once prosperous communities whose manpower and institutions were ruthlessly consumed by murderous persecution unparalleled in the annals of history. Their desire to abandon the scene of their people's agony and martyrdom is overpowering. It is reinforced by their inborn preference for a life of democratic freedom in a society which upholds as the chief focus of national pride the very Jewish traditions and associations which had been the target of such brutal persecution in Europe. On the other hand, in many parts of the Moslem world Jewish minorities have lived for centuries under an intermittent and precarious tolerance, punctuated by periods of disorder and oppression. In recent generations the rise of a strong national consciousness throughout this area has imparted to Jewish minorities a sharpened sense of separateness and insecurity. At the same time, the echoes of Israel's achievement have awakened a messianic urge for redemption, which makes Jewish minorities in Arab countries increasingly unwilling to sustain a lot so stoically borne by their ancestors for centuries past, as long as it seemed inexorable. An independent state which makes the absorption and rehabilitation of Jewish immigrants the central purpose of its life has become a compelling magnet to all Jews who lack freedom and dignity in their present abodes. This is one of the spontaneous and irresistible movements of mass migration which have revolutionized the history of peoples. In recent months the threat of world conflict has added a fresh incentive to Jewish immigration--a desperate urge to find shelter before the storm breaks, and while liberty of movement still remains.

5. While the rate and scale of immigration to Israel are largely determined by conditions in Europe and the Moslem world, Israel's resolve to accept immigrants without restriction is animated by a sense of inescapable responsibility. The people of Israel are themselves, for the most part, immigrants--survivors of pogroms and persecution; they know well that to refuse entry to their kinsmen now may mean the renunciation of that crucial opportunity forever. Indeed, some countries have actually established official deadlines before which all prospective emigrants must leave. It is inconceivable that Israel can incur the moral responsibility for whatever might befall Jews who seek admission to Israel and are denied it. Jewish communities throughout the world, and especially in the United States, have spent much effort and sacrifice on Israel's behalf, in the clear expectation that they were thus establishing a permanent haven for all oppressed and insecure Jews in need of a home. It is noteworthy that President Truman's recommendation in 1948 for the transfer of Jewish displaced persons from Europe to Palestine marked the beginning of the United States specific interest in the search for a solution of this problem. Thus, every circumstance of humanitarian concern and moral principle compels Israel, with the fervent approval of its own public and of Jewish opinion everywhere, to uphold and maintain freedom of immigration. Moreover, from the viewpoint of Israel's own interest, even if heavy immigration is accounted an economic liability in the short term, it must certainly in the long run be regarded as an asset, since it will enhance Israel's self-reliance, its economic strength, and its creative capacity.

6. The conditions which govern the scale of immigration to Israel can well be illustrated by reference to the Jews of Iraq. When the Government of Iraq allowed Iraqi Jews to register for emigration, it was thought by many observers that no more than 30,000 would exercise that option. In fact, about 105,000 out of a total 130,000 Jews registered for emigration and made plans to leave for Israel. On receiving permission to leave the country, an Iraqi Jew loses his citizenship, whereupon it becomes urgent to effect his emigration without delay. In recent months, the Government of Israel has been exhorted by the Governments of the United States and by the United Kingdom to make every effort to speed up the evacuation of Iraqi Jews. The Government of Israel, in pursuance of its own policy, has increased the monthly rate threefold in full knowledge of the resulting aggravation of its financial problems.

7. As a result of this immigration, the dominant feature in the life of Israel is the spectacular increase of its population. On May 14, 1948, the Jewish population of Palestine was 650,000. Between that date and the end of 1950, 511,000

immigrants have entered the country, representing a 78-percent increase in the over-all population total. About half a million new immigrants are expected to arrive within the next 3 or 4 years. By the end of 1951, Israel will have tripled its population mainly by immigration. This rate of population increase has no precedent; manifestly it calls for a financial effort on an unusual scale.

8. In receiving these immigrants Israel has solved problems which would otherwise fall on international agencies and on other governments. For example, the admission to Israel of nearly all Jews from displaced persons camps in the American zone of Germany has directly liberated the United States Treasury from a considerable and continuous expenditure. For many years the European refugee problem had battled the resources and capacity of the refugee organizations established under the auspices of the League of Nations and the United Nations. Israel has absorbed large numbers of refugees who were the objects of this international concern, without even having received any reparation from Germany for the wholesale spoliation and destruction of Jewish property in Europe. Moreover, by absorbing Jewish communities which were living in conditions of insecurity or discrimination, Israel has eliminated potential points of friction and instability in more than one area of the world.

9. The difficulty of financing the absorption of this enormous population increase has been aggravated still further by Israel's defense burdens. At its very inception, Israel was forced to mobilize all its resources in fighting, alone and unaided, its battle of survival against overwhelming odds. The aggressive onslaught of the Arab States was successfully repelled; yet their persistent refusal to conclude a final peace settlement continues to strain the resources of Israel by necessitating heavy defense expenditure, on which also the mounting international tension has an inevitable bearing.

10. In addition to the burdens imposed by immigration and defence, the Government of Israel has undertaken to make its due contribution toward the solution of the Arab refugee problem in the Near East. It has declared its willingness to support the reintegration fund to be established by the United Nations by paying into it funds accruing from compensation for abandoned Arab lands, on the understanding that such funds will be used for the permanent resettlement of Arab refugees in conditions which would conform with their own welfare and with the ultimate stability of the Near East. Under this arrangement, which has been publicly announced in the United Nations, Israel is probably assuming a heavier financial commitment in the Arab refugee problem than any other single member Government, notwithstanding the fact that the problem itself was actually created in the course of a deliberate attempt to destroy Israel's existence, as a result of which Israel sustained heavy and widespread material damage.

11. A country which increases its population by 80 percent in 2½ years, while simultaneously sustaining a heavy burden for its defense and preparing to make a substantial financial contribution toward the solution of the Arab refugee problem, cannot obviously develop its productive resources to the extent required by these vast burdens without massive outside assistance. Israel, however, has itself made a maximal effort to solve the economic problems with which it has been confronted. This effort has been made in two directions. On the one hand the standard of living of the population has been drastically reduced. On the other hand, every possible means has been adopted to increase production in both agriculture and industry, with impressive results. Whereas the population increased by 80 percent in 2½ years, agricultural production rose during the same period by 70 to 80 percent and industrial production by 10 to 50 percent. It is clear, therefore, that Israel is seeking supplementary external aid only after having imposed upon itself heavy sacrifice and considerable self-denial.

12. The magnitude of the effort which Israel has put forth for its own economic development is illustrated by the achievement of net new investment of approximately the equivalent of \$190,000,000 in the calendar year 1949, and of approximately \$275,000,000 in 1950. This new investment was equivalent to more than 25 percent of Israel's total national income in 1949, and to more than 30 percent of the national income in 1950. Yet, Israel now proposes further to raise its annual investment target to the equivalent of approximately \$500,000,000. There is no choice; no lesser target would be compatible with the full productive employment of Israel's people. But it is obvious that the gap in the balance of payments, which is the most striking expression of Israel's economic difficulties cannot be closed by its own exertions in the immediate future.

13. Since heavy immigration seems certain to continue for the next 3 or 4 years, the consequent dislocation of Israel's economy is bound to persist for that period. The very measures which Israel is adopting to add to its productive

capacity are liable, in the short run, to increase the disturbance in the balance of payments. The required diversion of Israel's own resources from production for current consumption to investment work will create inflationary pressure on scarce supplies of consumption goods. Israel is grateful for the great contribution to her long-term productive facilities which is being made through the credits of \$135,000,000 received from the United States Export-Import Bank. Israel also places great reliance for her economic development on the resources for productive purposes which will be sought through the sale of bonds to the public in the United States of America. These imports for specific investment purposes, however, need to be supplemented by a diversion of Israel's own productive capacity from consumption needs to the production of capital goods. The grant-in-aid from the Government of the United States, for which the Government of Israel is herewith applying, would bridge this gap in the availability of consumption goods until the increased production of Israel, which will be the consequence of the capital imports, can catch up with the needs of the population and assure economic stability. This American aid, extended over a brief period of time, can lead to the achievement of Israel's economic equilibrium, in full conformity with the concept of economic recovery which has inspired the aid programs of the United States since their inception.

14. Most prominent among the purposes for which grant-in-aid assistance is requested is one most directly connected with immigration: If the immigrants are to be employed productively, they must have houses near their places of work. The house to be provided is of the simplest character, having an average total cost of approximately 11,750, the equivalent of \$2,100. At the present time, many tens of thousands of immigrants are in huts and tents. The average housing rate of the population of Israel is three persons per room, while a large part of the population lives at the standard of five persons per room. To alleviate this shortage, it is proposed to build approximately 70,000 housing units in the year July 1, 1951-June 30, 1952, to accommodate roughly 250,000 persons. The total cost would be approximately \$150,000,000—and Israel is reconciled to the need for meeting by far the larger part of this total cost from its own resources. A grant-in-aid of approximately \$30,000,000 is needed to meet foreign exchange costs of materials, imported fixtures, and construction machinery. Israel's own investment in the program would be four times as great as the requested grant-in-aid.

15. Grant-in-aid assistance in the form of supplies needed specifically to restrain the stress of the inflationary pressures is requested in the amount of \$105,000,000. As mentioned above, in the year July 1, 1951-June 30, 1952, Israel will be attempting to raise her total investment towards the target of an annual rate of approximately \$500,000,000. Even under a system of austerity, Israel will require, in the year July 1, 1951-June 30, 1952, at the price levels which prevail today, about \$225,000,000 of imports apart from imports for specific investment purposes.

16. An additional grant-in-aid of approximately \$15,000,000 is requested for the insurance and shipping costs connected with the delivery of the above commodities in Israel. This amount has been estimated on the assumption that the affected commodities would be purchased not only in the United States but also in other friendly countries, from which shipping costs might in some cases be lower than from the United States.

17. The specific uses of the requested grant-in-aid might then be outlined as in the following table:

Approximate list of purchases to be financed with requested grant-in-aid

A. Materials, fixtures, and equipment required to be imported for the construction of 70,000 housing units.....	\$30,000,000
B. Supplies required to restrain the inflationary pressure of the investment and defense programs:	
(a) Wheat.....	\$25,000,000
(b) Fodders.....	15,000,000
(c) Oilseeds.....	10,000,000
(d) Fertilizers and seeds.....	10,000,000
(e) Cotton, other fibers, and textile materials.....	10,000,000
(f) Leather, hides, chemicals, and minor materials.....	10,000,000
(g) Petroleum.....	25,000,000
C. Shipping and insurance services.....	105,000,000
	15,000,000
Total.....	150,000,000

18. The close link between economic stability and political freedom is becoming increasingly understood in all parts of the world. The future of Israel's social and political system is an issue of direct consequence to the cause of world democracy. Israel has established a parliamentary democracy in an area where democratic ideals and principles have not yet struck deep roots. While many countries have recently achieved institutional freedom, not all have simultaneously fought with any marked effect against the traditional social and economic inertia which condemns countless multitudes to a life of squalor and misery. Unless democracy proves its capacity both to insure political freedom and to realize a vision of society based on expanding horizons of material welfare and cultural progress, it will find itself hard-pressed in its struggle to compete against feudal traditionalism on the one hand and modern iterations of political democracy on the other. The success of Israel's efforts to combine political freedom with economic progress will certainly affect the prestige of democracy in the crucial area of which Israel is a part. Israel's experience and achievement in soil conservation, land development, irrigation, technological research, industrial progress, as well as in cooperative organization and social freedom, are intimately relevant to the most acute problems which afflict such wide areas of the Near East with conditions of backwardness and dearth. Thus, any strengthening of Israel's efforts to achieve a high degree of development must be regarded as a contribution to the progress and stability of the entire Near East. For, despite the transient political conflicts which now divide it, the Near East cannot in the long run fail to be affected by progressive examples. In this respect, too, aid to Israel would fully conform with the principles which have determined the United States' aid programs.

19. On June 20, 1922, the Congress of the United States of America unanimously recorded its sympathy for the "aspirations of the Jewish people to rebuild their ancient homeland." On December 19, 1945, the Congress, in a concurrent resolution, advocated the establishment of a democratic commonwealth in Palestine "to the end that the country should be opened for free entry of Jews." In a resolution of greeting on the anniversary of Israel's independence in May 1950, the United States Senate paid tribute to the emergence of Israel as an objective in which the American people had indicated their sympathetic interest for many years. In the last three decades successive Presidents of the United States have associated the American people, by close bonds of sympathy and support, with the rebirth of Israel as a modern embodiment of an ancient tradition which bequeathed to the world some of the basic moral ideals on which western civilization is founded. At every decisive stage in Israel's recent development, the efforts and sacrifices of Israel's people, and of Jewish communities working for Israel's welfare, have received notable support from the President, the Government, and the Congress of the United States of America. American representatives in the United Nations have carried this policy into the highest international forum. Israel will always feel the most profound gratitude for the memorable steps taken by President Truman and the Government of the United States in favor of the reestablishment of an independent Israel, its official recognition, and its formal admission to the world community. In seeking the support of the United States for its arduous task of economic development and consolidation, and for its unprecedented efforts in providing homes for so many within so short a time, the Government of Israel is advocating the maintenance and extension of a traditional relationship firmly established in the hearts of both peoples.

Mr. LIPSKY. Subsequently, Representatives John W. McCormack and Joseph W. Martin, Jr., introduced identical bills into the House authorizing a grant in that amount. In the Senate, similar legislation was introduced by Senators Paul H. Douglas, Robert A. Taft, and 34 other Members of that body. This legislation has won widespread support in the Congress and throughout the country. We respectfully urge this committee to take these bills into consideration in the discussion of amendments to title II of the proposed Mutual Security Program.

It is our purpose here to present the reasons why we consider the allocation proposed in title II wholly inadequate. My associates here will contribute the factual data. Dr. Joseph Schwartz, the executive vice president of the United Jewish Appeal, will describe Israel's immigration program. Mr. Robert R. Nathan, the eminent

economist, who has mastered the economic facts of Israel, will discuss Israel's economic problems and their solution. They will be available to answer questions dealing with these aspects of the matter.

American interest in Palestine, now Israel, was rooted in an ancient tradition that the scattered Jewish people, suffering disabilities and persecution in many lands, would one day return to "Zion and Jerusalem," free to live their lives in their own way. The aim was the settling of Jews in Palestine with the good will and cooperation of the civilized nations.

The beginnings of the Jewish colonization of Palestine were difficult and progress was slow. It met with many obstacles, internal and external. Finally, during World War I, in 1917, the Allied nations, led by England and the United States, recognized the historical connection of the Jewish people with Palestine, proposed the creation of the Jewish National Home, and, when the League of Nations was organized, issued a mandate to England to become the trustee of Palestine for the purposes of the Balfour Declaration.

The lofty sentiments that inspired the authors of the declaration were not fulfilled. The mandatory power soon began to interpret the mandate to mean a dual purpose in Palestine, one to its Arab inhabitants, the other to the national aspirations of the Jewish people. Finally, it virtually annulled the declaration in its white paper of 1939.

During the entire period—from 1897 to 1939—the Jews of America, cooperating with Jews of other lands, gave expression to their confidence in the ultimate fulfillment of Jewish hope, and their humanitarian interest in their kinsfolk, by contributing their moral and financial support to the Jewish settlement in Palestine. Through our efforts the absorptive capacity of the desolate land was enhanced, a network of farming communities was developed, cities and roads were built, schools, technical institutes, and a university were established, and the ancient Hebrew language was reborn. The Jewish population increased from 84,000 in 1922 to 445,000 in 1939.

The early development took place under relatively normal conditions. But 1930 witnessed the beginning of an anti-Semitic movement unparalleled in history which rose to a rapid climax of tragedy, resulting in the death of 6,000,000 Jews and the scattering of the survivors to all parts of the world. The madness of genocide seized the German people and all who came under their influence. The poison of anti-Semitism seeped through the democratic defenses of many lands, including, for a time, our own. The refugee Jew became the moving symbol of the Jewish tragedy; and the closed door of the Promised Land, the index of man's inhumanity to man.

That Jews everywhere should have been stirred to their depths by the great catastrophe was not surprising. They would have been untrue to the common instincts of blood relationship had they not come forward with generous sacrifices to relieve the plight of the survivors. The humanitarian feelings of large masses of non-Jewish Americans became involved, and were reflected in repeated expressions of sympathy and good will by our own Government. This committee's strong declaration in 1945 greatly encouraged our efforts.

The motive that led to the establishment of the State of Israel was not one of merely setting up a territorial state. The state was the form freedom had to take at that moment in Jewish history. It was incidental to the creation of a haven of refuge for the oppressed. It

was an essential preparatory act for the in gathering of the exiles. It was the vessel in which was to be poured the ideals of the Jewish people—their concepts of justice and democracy, their ideal of brotherhood of all peoples, their tradition of peace. It was the only way for them to defend their way of life; no longer to be helpless and unarmed when attacked; to be free as a matter of right. These ideals were not to be fostered in isolation behind iron walls of prejudice and ill-will. There was to be free trade with the world—in material goods, in ideas, in knowledge of the ways of noble living. Once again, the voice of a rejuvenated Jewish people would emanate from their own land and would be heard in the councils of the nations.

The tragedy of Jewish life did not end with the defeat of Hitler and the Nazis, with the rescue of the prisoners awaiting death in the concentration camps of Germany. The flight of the survivors in the direction of the Promised Land began years before the end of the war, but the Promised Land was blockaded. Those who returned in spite of the blockade were hounded as "illegals." Palestine was partitioned by the vote of the United Nations. The British gave up their mandate, which led to the proclamation of the Jewish State. Israel was established under the pressures of disaster. No sooner was its authority created than there followed a declaration of war by the neighboring Arab States, and reborn Israel was encircled by forces intent upon its destruction. It had to fight its way through obstacles which tested its staying powers, its courage, and its dedication to the cause of freedom. And, unhappily, the end of the war was an armistice, not the beginning of real peace.

The administration of government in Palestine was left in great disorder. Israel had to improvise its own forms of government. It had to assemble an army of defense in the face of invasion. At the same time, however, the doors were opened wide to the masses of fugitives from Europe and other lands where the refugees had been crowded, awaiting the signal of liberation. Over 640,000 refugees were admitted into the struggling country in 1948, 1949, 1950, and the first half of 1951. Attention is called to the fact that of these new arrivals, over 300,000 came from Moslem countries in the Middle East. A country which increases its population by 80 percent in 2½ years, while simultaneously sustaining a heavy burden for its defense, obviously cannot develop its productive resources to the extent required by these burdens unless it receives outside assistance. The standard of living of the population has been drastically reduced to austerity levels, while every possible means has been adopted to increase production in both agriculture and industry. Israel has had to organize and pay for the transport of refugees. It has had to provide them with food and shelter on arrival. It has made provisions for the equal treatment of all the inhabitants of the country, including those Arabs who did not take up war against Israel and who remained in the country.

In its desperate efforts to survive, Israel has had the great support of American Jews who came forward with unexampled generosity to help carry on a great humanitarian program and the redemption of their kin.

In these struggling years, world tension has increased and threats to world peace multiplied. The defenses of the democracies are menaced by totalitarianism, aggression, infiltration, and sabotage.

These tensions have retarded postwar recovery, forced the adoption of large military budgets, divided the world into blocs and placed the United States in the vanguard of the defenders of democracy.

In this situation the Middle East has become of critical importance. Because of its low living standards, its lack of experience in the democratic way of life, its racial excesses, its backwardness in industrial production and the techniques of science, this region, occupying a vital strategic position, is peculiarly vulnerable to propaganda and military attack and must be given special and immediate objective consideration.

The Middle East has not been given adequate attention in the strategy of democracy's defense. This may be due to the fact that the area has been the scene of controversy, boycott, blockade, the development of unrestrained chauvinism, and racial animosities. The mood of peace is absent. Peace has not yet been achieved between the Arab States and Israel.

A general boycott against Israel is being preached by the Arab League. Iraq cuts off the flow of oil to the Haifa refineries. Egypt blocks the Suez Canal to Israel-bound trade and shipping. The armed forces of Syria interfere with the drainage of the Huleh swamps in Israel territory. Jordan still denies access to the Hebrew University and the Hadassah Medical Research Center on Mount Scopus. And they continue the sinister policy of pressing Jewish people out of their territories by confiscation of property, denial of rights, and elimination from the economic structure.

As Americans, we are vitally concerned with the organization of the democratic forces to oppose totalitarian aggression. Israel's resourcefulness and stamina and courage give it an opportunity to establish at least one factor in the Middle East which, on its own merits, may be relied upon. The story of what the Jewish national home did for the Allied cause in World War II is instructive in this connection.

The Jewish national home was prepared to take up arms against a common enemy with Britain when World War II broke out. A mass registration of Jewish volunteers for war service totaled 85,800 men and 50,400 women. This recruiting was discouraged by Britain for reasons of its own. But ultimately 33,000 Palestinian Jewish volunteers served in the Army, Navy, and Air Force, and in full-time local defense. Over 26,000 served in various segments of the Allied front. There were 60 units in the Royal Engineers, Transport, Ordnance, and Mechanical Services. Selected civilian volunteers carried out secret raids in the Middle East and parachute missions in enemy Europe. Half of them lost their lives.

Army orders totaling over 36 million pounds in the economic field were executed by Jewish industry. The Hebrew University, the Technical Institute at Haifa, and the Sieff Scientific Institute at Rehovoth performed technical and scientific services of special value. The armed services in Palestine and outside relied on skilled Jewish labor for important tasks of construction and repair. Jewish contractors, engineers, and skilled personnel helped to enlarge the oil refineries in Abadan, Iran; bridged the Euphrates; covered Syria with a network of roads and camps and maintenance airdromes in Iraq, Bahrein, and Cyprus.

Since World War II, Israel's population has doubled. Its people are trained and battle-tried. They have fought and won their independence. They have repelled invasion. This is a generation which rose from the degradation and enslavement of Hitler's concentration camps to the heights of freedom. They are determined never again to make the descent from those heights. They can be counted in the front ranks of democracy's defenders.

Moreover, during and since World War II, the land of Israel has been transformed industrially. The country is today the workshop of the Middle East. Its rapidly expanding military, industrial, and agricultural army is one of the strongest forces for freedom in the old world.

It is against this background that we urge you to give adequate aid to Israel, as well as to the Arab states, on their own individual merits, assessing what each needs and what each can contribute to the welfare of the free world. Of course, we urge measures to insure the earliest possible resettlement of the Arab refugees. In our view, the amount provided for the Middle East in the Mutual Security Program should be substantially increased. We therefore urge the inclusion of Israel in the program for 1952 for an amount based on its own potentialities. This view is reflected in concrete form in the McCormack-Martin bills.

Israel is qualified as an outpost of western civilization. The pioneers who laid its foundation brought with them the Hebraic ideals which have greatly influenced the west. They have reintroduced into their new homes modern arts, industrial skills, the sciences, and modern ways of life which they acquired in the western homes they had to leave. All their equipment, their skills, and their new experiences can be utilized in an atmosphere of friendly cooperation to transform the segment of territory they occupy into a pilot plant of great significance for the entire region. We plead that they be allowed to show their mettle in the struggle that lies ahead. As their American sponsors, we are certain they will meet the challenge with intelligence, courage, and the utmost of loyalty and sacrifice. Give them what they need and they will make good beyond your expectations. Give them what they need for defense and they will make good beyond your expectations.

Chairman RICHARDS. Mr. Lipsky, that was a very able statement.

There will be some members who want to ask questions; some will not. So, I am not going to go around the table.

Mr. LIPSKY. May I ask that you hear Dr. Joseph Schwartz and Mr. Nathan, and then have the questions generally put to the three of us?

Chairman RICHARDS. That is a good suggestion, particularly in view of the lateness.

I believe I omitted to state for the record that Mr. Lipsky is chairman of the American Zionist Council, and I would like to have the record show that.

Mr. LIPSKY. And Dr. Schwartz represents the United Jewish Appeal.

Chairman RICHARDS. We will now hear from Dr. Schwartz. In what capacity do you appear, sir?

STATEMENT OF DR. JOSEPH J. SCHWARTZ, REPRESENTING THE UNITED JEWISH APPEAL

Dr. SCHWARTZ. I appear as the representative of the United Jewish Appeal and as the former director general of the American Jewish Joint Distribution Committee.

Chairman RICHARDS. Are you an official of the United Jewish Appeal?

Dr. SCHWARTZ. I am the executive vice chairman of the United Jewish Appeal.

Chairman RICHARDS. All right, sir, proceed with your statement.

Dr. Schwartz. Mr. Chairman and members of the committee, I have submitted a rather lengthy statement of some 20 pages, which I will not undertake to read to you tonight. I think that the time is short and the statement is available; so, I will just try to give you a brief summary of what that statement contains and some of the important facts in connection with Israel's immigration program.

Chairman RICHARDS. Without objection, we will hear Dr. Schwartz in the manner he has suggested. But his entire statement will be placed in the record.

Dr. SCHWARTZ. Thank you very much.

(The statement referred to is as follows:)

STATEMENT BY JOSEPH J. SCHWARTZ, EXECUTIVE VICE CHAIRMAN, UNITED JEWISH APPEAL

The last two decades have been the most momentous in the history of the Jews in modern times.

Roughly two decades ago, we saw the coming to power of Adolf Hitler and the Nazi Party in Germany.

A major policy in Hitler's diabolic program to achieve world domination was—as he so often avowed—the extermination of Europe's Jews.

The rise of Hitler saw a succession of incredible disasters befall the once-great Jewish populations of the Continent during a period of nearly 15 years.

Then these very disasters were followed by events that constitute near-miracles: The rescue and rehabilitation of hundreds of thousands of Jews overseas who survived Hitler's tyranny, and the reestablishment after 2,000 years of the State of Israel.

History has never recorded a more amazing contrast than is provided by these juxtaposed events.

When the liberating Army of the United States, together with the liberating armies of our allies, received the unconditional surrender of Germany on May 8, 1945, there was revealed to the full view of the world the tragedy that was visited on the Jews in the Hitler era.

American newspaper correspondents reported a terrible fact: of a prewar European Jewish population of 9,000,000 men, women, and children, 6,000,000 were dead.

In 15 years, the total world Jewish population had been reduced by more than a third.

Entering for the first time into the newly liberated Hitler concentration camps—such as Dachau, Bergen-Belsen, and Auschwitz—these same correspondents were able to report that these places, so long hidden from the world's view, were in reality death factories.

In these camps, Hitler's cohorts systematically put to death millions of old, young, and weak. Systematically, too, the strong and able-bodied were forced to work on starvation rations until their strength ran out. Then they too were consigned to the Hitler gas chambers and the crematoriums.

As for those who remained alive, they were a shattered, ragged remnant.

In sharpest contrast to May 8, 1945, as it bears on the situation of Jews overseas, is a second May date—May 14, 1948.

Three short years after Hitler's overthrow, the Jewish people of Palestine—tens of thousands of them refugees from the Nazis—proclaimed the democratic republic of the State of Israel.

The ebb tide of Jewish tragedy and suffering had given way to an incoming tide of hope and opportunity.

In their Proclamation of Independence—so reminiscent of our own Declaration of Independence—the people of the State of Israel declared to the world: "The State of Israel will be open to the immigration of Jews from all the countries of their dispersion."

And now, just this last May, on the occasion of the third anniversary of the State of Israel, it was possible for the new State to announce that in 3 years it had received upward of 600,000 Jewish immigrants, most of them the one-time victims of Hitler and his terrible persecution policy.

This fundamental change in the position of Jews overseas represents the joint accomplishment of three major forces:

First, the people of Israel fought for their own independence against great odds, and kept the doors of their land open in the face of the greatest hardships. To them must go a major share of the credit for what has been achieved.

Second, an enlightened and generous attitude on the part of our own Government has been basic to the whole course of events which has seen tens of thousands of Jewish survivors rescued and helped to go to Israel.

It was this committee and the Congress of the United States which in 1945 approved a resolution calling for the opening of Palestine to Jewish immigration. Additionally, it was this Government—through the humane action of the United States Army in caring for Jewish displaced persons in occupied Europe, by its support of the UNRRA and IRO, by its prompt recognition of the State of Israel, and through its extension of Export-Import Bank loans—which has helped immeasurably to create the inspiring reversal of fortune for distressed Jews abroad.

Finally, one very considerable factor has helped to change the picture of Jewish despair and destruction as it existed in May 1945.

I refer to the voluntary aid which has gone to Israel from the private citizens of America, mainly American Jews, through an effort that is, I believe, unparalleled in the history of wholly voluntary giving.

From January 1945, through December 1950, there has been provided voluntary, private funds totaling \$115,000,000 in aid to Israel, and by December 1951, these sums should reach an approximate total of \$300,000,000.

Additionally, voluntary giving has made available large sums for the relief and rehabilitation of the war-shattered Jews of Europe, for Jews in desperate circumstances in Moslem countries, and for displaced Jews who have come to the United States under the DP Immigration Act.

The voluntary aid furnished Israel is, of course, impressive. But these sums have in no wise been sufficient to meet the full costs of receiving, integrating, and absorbing Israel's 600,000 newcomers. The major share of these expenditures have had to be borne by the people of Israel themselves. The average cost of transporting, receiving, and integrating a single newcomer is estimated to be \$2,500, and the total cost for meeting the needs of 600,000 new immigrants to Israel has been put at \$1,500,000,000.

The bulk of these voluntary sums for aid to Israel and Jews in distress abroad has been raised through the United Jewish Appeal, of which I have had the privilege of being the executive vice chairman since January of this year.

Previously, it was my privilege to serve as director in Europe for some 12 years of the work of the joint distribution committee, one of the constituent agencies of the United Jewish Appeal.

It is from my experience with both the UJA and the JDC that I should like to sketch in for you in greater detail the circumstances and events which have motivated this outpouring of voluntary American generosity.

I should like, too, to put before you the situation as we see it at this moment, and to state why, in my opinion, the problem we are dealing with goes far beyond both the responsibilities and capacities of private voluntary assistance, and invites the fullest measure of support from the United States Government.

1,350,000 SURVIVING JEWS IN EUROPE

In the spring of 1945, at the time of liberation, the best estimates of the number of Jewish survivors in Europe were that some 1,250,000 Jews had survived in all the countries of the continent west of the Soviet Union.

In the Soviet Union there was known to be about another 125,000 Jews of Polish origin, who had fled to the U. S. S. R. when the German army marched into Poland in September 1939.

The Soviet Union was also believed to contain about 1,500,000 native Jews. These, then, made up the approximately 3,000,000 Jews of the Continent, survivors of a former Jewish population of 9,000,000.

Following are figures on specific countries:

Poland's prewar population of 3,250,000 was reduced to 80,000 by the spring of 1945.

These were the people who had survived in hiding—in the forests, where they fought the Germans as guerrillas, or in deep underground bunkers.

In Hungary, an estimated 200,000 Jews survived of a 1938 population of 403,000.

In Czechoslovakia, about 45,000 remained of a prewar 360,000.

In Rumania, the 350,000 Jews who remained represented less than half the prewar Jewish population.

In Yugoslavia, 14,000 were left of 75,000.

In Greece, 10,000 remained of a one-time 75,000.

Such was the situation in Eastern Europe, where a total of some 800,000 Jews remained of a former population of 5,000,000.

In central Europe, only 100,000 Jews remained in three occupied countries: Germany, Austria, and Italy. The majority of these, 75,000, were survivors of the concentration camps, and now found themselves installed by the United States and British armies in what became known as displaced-persons camps.

But, in the larger sense, almost the entire Jewish population of Europe was a displaced population—the 350,000 Jews remaining in Western Europe and the 800,000 in Eastern Europe, along with the Jews of the DP camp countries of central Europe.

The Jews of Poland, seeking to return to their former homes, came back to such cities as Warsaw. Walking into the Warsaw ghetto, they found the entire area, more than a mile square, reduced to absolute rubble by the Nazis. Not even a street post remained to tell a survivor where he had once lived.

Thousands on thousands of Jews everywhere on the Continent now discovered that they were the only survivors of their immediate families. I recall a distinguished head of the Dutch Jewish community, whose family had lived in the Netherlands for generations, who told me that of the 325 male members in a widespread family group only he and three others had survived.

In the spring of 1945, it could be said that the majority of the Jews of Europe were displaced sociologically, economically, and spiritually as well as physically. Their homes and families were gone, their jobs and occupations nonexistent, their former community ties wiped out.

THE RESPONSE TO A SITUATION

In Europe, in the spring of 1945, the vast majority of surviving Jews desired just two things:

First, they wanted immediate help to get on their feet again—food, clothing, shelter, medical care, and a way to earn their daily bread.

Second, hundreds of thousands of them wanted to get out forever.

They wanted to leave the bitter memories of Europe behind. They wanted to leave centuries of ingrained anti-Semitism in Eastern Europe, the rubble of ruined homes in many countries, the bloody soil of hated Germany.

They wanted freedom, and a chance to build new lives. And for most of these people, there was but one choice—to go to a land of their own—to Palestine.

But in 1945—and for many months afterward—the opportunity to leave simply did not exist for the vast majority. Palestine, under the British mandate, permitted the entry of less than 10,000 Jews from Europe and north Africa in all of 1945. Immigration to the United States and other Western Hemisphere countries was almost at a standstill.

There were two bright spots in an otherwise dark picture. Both had their origins in the United States.

In this country, an aroused American Jewish community undertook to supply help to the distressed Jews abroad and to the Jews of Palestine, on a scale never before approached. In December 1945, American Jews, who had raised about \$35,000,000 through the United Jewish Appeal during that year, voted to seek \$100,000,000 for the year 1946.

To their great credit, they raised \$103,000,000 in that year in an unprecedented effort.

And spurred on by this success and the rapid pace of developments abroad, they went on to raise even greater sums in 1947, 1948, and 1949.

Meanwhile, our own Government not only began to assist displaced persons in Europe's occupied zones, but expressed deep concern that some solution be found for the DP problem.

In line with this concern, in June 1945, President Truman directed Mr. Earl G. Harrison, then the American member of the Inter-Governmental Committee on Refugees, to make a survey of displaced persons in Europe, with particular reference to the problems, needs and views of Jewish refugees in Germany and Austria.

At the invitation of the State Department, I had the honor of being associated with Mr. Harrison on this mission.

MR. HARRISON'S RECOMMENDATION—100,000 CERTIFICATES FOR PALESTINE

I shall not go into the details of the Harrison report, which was released by the White House in September 1945.

But Mr. Harrison's principal recommendations, made after visiting every important DP center in Germany and Austria, were:

1. That the British Government, as the mandatory power in Palestine, grant a request of the Jewish Agency for Palestine that 100,000 certificates of immigration be made available immediately so that displaced Jews, particularly in Germany and Austria, might immigrate there.

2. That the United States should, under existing immigration laws, permit a reasonable number of displaced persons to come to this country.

The Harrison report was received in some quarters as visionary and unrealistic. It was argued that Palestine, with a Jewish population of barely 600,000, could not possibly accept 100,000 newcomers in a matter of a year or more.

It is worth recalling these arguments, because in the light of what has subsequently happened the proposal for 100,000 immigrants now seems modest indeed.

In the last 6 months alone, in Israel today, 130,000 immigrants were brought in under conditions far more trying than were entailed in the removal of the DP's from central Europe.

In the spring of 1946, there came a second recommendation that 100,000 Jews be admitted from the DP areas to Palestine.

This was contained in the report of the Anglo-American Committee of Inquiry, established by the Governments of the United States and the United Kingdom, to examine the conditions in Palestine as they bore on Jewish immigration, and the position of Europe's Jewish victims of Nazi persecution.

These recommendations for 100,000 certificates, as the members of this committee are aware, were not acted upon by Great Britain.

And now the years 1946, and 1947, saw the position of the surviving Jews of central and eastern Europe reduced to one of despair.

The joy of liberation, the renewed hope for a future of freedom and opportunity, were slowly throttled by each passing day in which it became plain that there was to be no immediate solution for their problems.

My own organization, the Joint Distribution Committee, was actively engaged at the time in speeding the physical rehabilitation of Europe's Jewish survivors. With funds provided by American Jews through the United Jewish Appeal, and by other world Jewish communities, we spent \$25,490,000 in 1945, then \$54,500,000 in 1946, and \$73,310,000 in 1947.

But while we could give the people bread, care and training, we could not give most of them what they wanted most—a home.

Meanwhile, the need for a home was given new emphasis by critical developments in eastern Europe.

In the spring of 1946, and all through 1947, tens of thousands of Jews began to flee eastern Europe into the DP camps of Germany, Austria, and Italy. They poured over the borders of Poland, Czechoslovakia, Hungary, and Rumania. Their immediate goal was sanctuary under the American flag—but their real goal was to reach Palestine.

THE EXODUS FROM EASTERN EUROPE

Who were these people, and what inspired them to leave?

They were mainly Polish and Rumanian Jews, who had fled during the war years to the Soviet Union. Although the U. S. S. R. offered them citizenship if they chose to remain in Russia, practically the entire group decided that life in a Communist country was not for them.

At the war's end they returned to Poland—or Rumania—with the initial thought of trying to discover what was left of their homes and families. And in the backs of their minds was the second thought that they would try to leave these countries for Palestine.

Then, in Poland, on July 4, 1946, just as thousands of Jewish returnees from the U. S. S. R. were arriving in that country, there occurred a pogrom in the city of Kielce. Some 36 Jews were killed by the Fascist underground, which pursued a policy of anti-Semitism as a means of embarrassing the new government.

That event served as a signal for the beginning of a great Jewish exodus to the west, in the hopes of reaching a land that might serve as a stopping-off place on the road to Palestine.

After their bitter experiences during the Hitler period, these people were determined not to take up their lives again in lands where anti-Semitism still prevailed, and the risk of further persecution was real.

And so, the returned Jews, joined by others, fled from Poland, Rumania, and Hungary. In a matter of months, the DP camp population of central Europe swelled from 100,000 to a peak of 250,000.

In addition, tens of thousands of DP's made their way into various western European countries, where they did not live in camps—but were permitted to stay, largely on the guaranty of the Joint Distribution Committee that they would not become public charges.

Thus, by the end of 1946, by a strict definition of the term "displaced persons", there was in central and western Europe a total of 366,000 Jewish DP's.

THE EFFORT TO REACH PALESTINE

The longer these displaced persons remained in the DP camps, the greater grew their despair of ever reaching Palestine.

In 1946 and 1947, the mounting pressure of this despair caused thousands to try to make their way to Palestine by unofficial means. Some got through. But even greater numbers were turned back by the British authorities, and detained on the island of Cyprus.

Thus, for 50,000 Jews, turned back to Cyprus, the concentration camp and the DP camp gave way to the detention camp.

I shall not go into the events which led to the outbreak of hostilities in Israel in the spring of 1948. These are undoubtedly known to this committee.

But I do wish to emphasize that the defending army of Israel, fighting off the invasion of seven Arab powers, was fully conscious of the fact that they were not only fighting for themselves—they were fighting as well for their brother Jews on Cyprus, in the DP camps, in Poland, Bulgaria, Rumania and other lands.

They were fighting for the right of their fathers, mothers, brothers, and sisters to come and live with them.

ISRAEL'S OPEN GATE POLICY

The spring and summer of 1948 marked the turning point for those Jews who wished to leave Europe.

Our own country, the United States, enacted the first DP immigration legislation in July 1948, and by October, qualified Jewish refugees, along with non-Jewish DP's, began to emigrate from the camps to this country.

But the chief opportunity for Jewish DP immigration was provided by the newly established and independent State of Israel. The gates once closed, were now thrown wide open.

In June, a boatload of 660 DP's, the first to emigrate with Israeli visas, sailed from Marseille. September saw nearly 11,000 sail. And, in December 1948, nearly 24,000 DP's entered Israel—more immigrants in a single month than the British mandatory power had permitted for the entire year of 1947.

The following table will give some idea of how immigration, officially held at a trickle of 1,500 monthly before May 14, 1948, increased to a flood after that date:

Immigration to Israel, May 16, 1948–June 30, 1951

May 15 to Dec. 31, 1948.....	101, 622
1949.....	243, 538
1950.....	169, 403
January to June 1951.....	128, 000
Total.....	642, 563

The Jewish population of Israel, which numbered 655,000 in May 1948, stood nearly doubled by the end of December 1950, increasing to more than 1,203,000.

THE EFFECTS OF ISRAEL'S IMMIGRATION POLICY

Many important developments have followed in the wake of the opening of Israel's doors to large-scale immigration.

First, the number of Jewish DP's in Germany, Austria and Italy has been reduced from a high of 250,000 persons to the present population of 31,000 persons. (The total Jewish number of DP's who passed through the camps was, of course, greater than 250,000.)

Some of the Jewish DP's were admitted to countries other than Israel. Thus, since the passage of the United States Displaced Persons Immigration Act in 1948, 51,000 Jewish DP's have come to this country. Several thousand have gone to other Western Hemisphere lands. But at least 150,000 Jewish DP's have gone to Israel. The problem of the Jewish displaced persons could not have been solved without the help of the State of Israel.

This departure of DP's from Central Europe had two important results. It greatly eased the task of the United States Army of Occupation, and it saved millions of dollars for the American taxpayer.

Meanwhile, a second development of importance was that the greater part of the Jewish populations in certain East European countries was moved to Israel.

Thus, 37,500 Jews of Bulgaria have been evacuated out of a one-time Jewish population of 43,000. Of Yugoslavia's 11,000 Jews in 1945, less than 1,000 remain. A total of 105,000 Jews of Polish origin, both from the DP camps and Poland, were moved. Today, Poland has less than 40,000 Jews.

Also, 100,000 Jews have been moved from Rumania, about 25,000 from Hungary and some 20,000 from Czechoslovakia.

A third development of great significance began to be apparent in 1949.

It arose out of the Israel-Arab war which created a difficult situation for Jews living in the Moslem countries.

In 1949, about 850,000 Jews lived in Arab-Moslem lands in north Africa and the Near East, including Morocco, Libya, Tunisia, Egypt, Turkey, Lebanon, Syria, Yemen, Iraq, and Iran.

In several of these countries, the situation of the Jew became a desperate one. Jews have lived in these lands for centuries, but in most of these countries they have been second-class citizens, the poorest of the poor, with fewest rights and privileges. Now, Arab anger at the defeats in Israel was vented on Jewish populations in these lands.

Immediately, the need and the desire to emigrate to Israel became the dominant factor in the lives of these Jews, just as it had been for the Jews in the DP camps.

Following an increase in oppressive measures in Yemen, thousands of Jews began, in 1949, to pour into Aden, a British protectorate at the tip of the Arabian Peninsula, in the hope of emigrating to Israel.

Their fervor was Biblical—for these were Jews who for 2,000 years had treasured the Biblical prophecy of their return to Israel.

"I will bring thy seed from the East, and gather thee from the West; I will say to the North, give up and to the South, keep not back; bring my sons from far, and my daughters from the ends of the earth."—Isaiah xliii: 5, 6.

To meet this emergency situation, American Jews, in 1949 and 1950, made possible the air-evacuation to Israel from Aden, a matter of 1,600 air-miles, of 60,000 Jews—the entire Jewish community of Yemen. This great airlift, known as Operation Magic Carpet, remains one of the most dramatic mass migrations in all history.

A second, and equally dramatic, air evacuation has just been completed—this time from Iraq.

By decree of the Iraq Parliament, just over a year ago, all Jews in that country were advised that emigration to Israel would be permitted only for a period of a year. (The time limit was later extended to 14 months.)

Iraqi Jews, desperate under the mounting difficulties of living in that country, chose to leave by the thousands. In 14 months, American Jewish funds furnished through the United Jewish Appeal made it possible to remove 100,000 Jews by air from Baghdad. Several thousand others, who had escaped to Tehran, in Iran, were also moved out. Today, all but 20,000 Jews are gone from Iraq.

A tense situation in Egypt, in 1948 and 1949, caused 16,000 Jews to leave for Israel. Approximately 80,000 have emigrated from Morocco, Tunisia, Libya, Algeria, and other Arab countries. Some 14,000 Jews have gone from Turkey to Israel.

In all, more than 300,000 Jews from Moslem countries have arrived in Israel since May 15, 1948. And the pressure to leave is still great in several areas, notably Iran, where 60,000 Jews are now waiting to go.

The fourth effect following out of this vast immigration was on the life of Israel itself.

THE EFFECT OF IMMIGRATION ON ISRAEL

The doubling of the population in 3 years of any country, no matter how great its resources, would severely disrupt the normal life of that land.

In Israel, just emerging from its bitterly fought war of independence, short of housing, its major resources still undeveloped, its energies simultaneously geared to the problems of defense and economic expansion along with immigration, there was bound to be the most drastic sort of dislocation.

I shall leave it to others to describe the full effect of this immigration on Israel's life.

As can be surmised, that effect has been drastic. Each new wave of immigration has contributed to shortages in the way of food, housing, and all the facilities that go to make up normal life in a civilized country.

Every 30,000 immigrants coming into Israel today, means that 300 tons of wheat monthly must be imported from abroad to feed them.

Shelter is required—shelter in the form of the simplest improvement beyond an immigration camp tent—a one-room hut, a wooden prefabricated house, a simple concrete building.

Such shelter is being provided at a very speedy rate, yet not at a rate fast enough to care for all the newcomers. At this moment more than 100,000 new immigrants still live in tents. And many before them lived in tents for months.

New cities and villages must be built, new schools provided, new roads, new farmlands, new water facilities, and new economic opportunities.

What has made the burden of absorption and integration even more difficult is that the majority of newcomers have come into Israel with little more than the clothes on their backs.

The costs of this process of absorption are so vast that even the best efforts of the American Jewish community have not been able to meet them. Instead, they have been shared by the Jews of Israel and the Jews of America, with the people of Israel bearing the major burden of these costs.

In the year 1950, Israel received approximately \$60,000,000 in aid through the agencies of the United Jewish Appeal. Meanwhile, about another \$20,000,000 was furnished by various other American organizations raising funds in this country for Israel. Certain additional funds were derived from other free countries.

Meanwhile, in the budget year of 1950, the Government of Israel itself allocated and spent an additional sum—representing \$150,000,000—for the housing, employment and agricultural settlement of newcomers.

These funds—roughly twice as much as was contributed to Israel from voluntary sources—were realized only at the cost of heavy sacrifice on the part of Israel's people.

It should be understood that since the State of Israel has come into being, enormous strides have been made in the direction of increasing both agricultural and industrial production.

Nevertheless, extreme rationing, extreme economy, became and are the by-words of Israel. The country, its exports far below its necessary imports, suffers from a severe shortage of dollars needed to buy goods in the world market. Life is austere, and promises to be austere for many years to come.

TENSE SITUATIONS STILL

Since immigration is obviously the key to Israel's current economic difficulties—then why does the country persist in admitting vast numbers of immigrants?

The people of Israel answer: "If there had been a State of Israel during the Hitler years, 6 million Jews would not have died for lack of a haven."

Events since the founding of Israel bear out their answer. When danger threatened the Jews of Yemen, and of Iraq, they were saved.

In the last 3 years, one critical situation for Jews after another has been met by Israel's open doors.

The Jews of Israel are very much aware that the time of crisis for Jews in many lands has not passed.

In Eastern Europe—in two countries which constitute great reservoirs of remaining Jewish populations—critical situations still exist. These are Rumania and Hungary.

In the increasing effort by the Governments of Rumania and Hungary to consolidate their countries along purely Communist lines, the position of their remaining Jews has deteriorated gravely.

Jews—once the middle class in those countries—have been subjected to all restrictions imposed upon the middle class. The bulk of the 300,000 Jews in Rumania, and the 130,000 Jews in Hungary, find themselves with little opportunity to work, with little chance to send their children to universities, with little hope for the future. Their communal institutions—hospitals, children's homes, old-age homes, have been nationalized.

At this moment, Hungary is removing from the cities what it terms "non-productive" elements and is turning over the living quarters of these people to workers moved in from the country.

The Jews of Hungary are mainly an overaged group—50 percent of them are more than 50 years of age, and most of these are elderly widows. The Nazis killed off the young, and most of the men. These people have been largely supported by relief provided by the Joint Distribution Committee.

Today, these elderly people are being moved out to isolated villages—cut off from help, and with little chance of being able to help themselves.

Hungary has permitted relatively few Jews to leave for Israel; but the Government of Israel is making frantic efforts to get the Hungarian Government to permit these "nonproductive" people to be moved to Israel. The Jews of Israel will take them in, and the American Jewish community will do its best to provide funds for their immigration.

Rumania is a somewhat different story.

The Rumanian Government permits emigration—between 5,000 and 8,000 persons to Israel a month.

The people of Israel feel that no effort must be spared to make possible the continuance of this immigration. Tomorrow may be too late.

THE SITUATION IN IRAN

Meanwhile, there is Iran—at this moment a country of grave concern to the entire Western World.

It is also a country of grave concern to the Jews of Israel.

Iran had the distinction of being a Moslem country which did not declare war on Israel. It accorded Israel de facto recognition and maintained a consulate general in Jerusalem.

But the rise of Moslem and Nationalist sentiment in Iran caused the present Iranian Government to close its consulate in Israel as of July 7.

Some 80,000 Jews dwell in Iran. The Arab News Agency recently has reported from Damascus that Iran is about to announce the "compulsory repatriation" of all her Jews to Israel.

Israel, then, is faced with the prospect that just as it evacuated the Jews of Yemen and Iraq, it now may have to evacuate the Jews of Iran.

MORE THAN 200,000 IN 1951

At the beginning of 1951, Israel's immigration authorities estimated that at least 180,000 Jews would have to be brought into the country. At a maximum, they expected they might have to accept 200,000, knowing very well what additional strain this immigration would impose on the land.

But the pressures to emigrate have been even greater than anticipated. In the first 6 months of this year, 130,000 entered. That the number of 200,000 will be exceeded is almost certain. The number, depending upon the pressures which may develop in the next months, may rise to 225,000—perhaps to more than 250,000.

ISRAEL HAS SAVED LIVES

In the light of the circumstances just placed before you, it is obvious, I believe, that Israel cannot meet the problems which face her, alone.

What is apparent, too, I believe, is that Israel should not be asked by the free world to meet these problems by herself.

The history of Israel in its three brief years represents a notable advance for democracy.

The State of Israel has shown itself to be a true democracy in a critical part of the world—which in itself should continue to evoke, I believe, fullest American sympathy and support.

But over and above these things stands one fact about Israel which I feel merits her the fullest assistance by our own country.

Israel, today, stands as one of the most gratifying and heartening ventures in our troubled times in the area of saving lives.

Israel, today, represents a guarantee of hope to a vast body of distressed people—to the Jews of Eastern Europe and the Arab world.

Israel, today, represents a realistic and inspiring solution to the age-old problems of anti-semitism and anti-Jewish hatred.

Israel has already saved 640,000 lives in three short years. Its agenda calls for saving 600,000 more lives in its second 3 years.

Each life already saved, each life to be saved, represents a recruit to the building of democracy and a better world.

The best interests of our Government—world leader of the democratic ideal, champion of human life and dignity throughout its entire history—will be well served by aiding Israel to attain its program for the future.

Dr. SCHWARTZ. There are two dates in modern Jewish life which provide an amazing contrast in human history. These two dates are May 1945, when the war in Europe came to an end and when Germany surrendered unconditionally to the Allied armies, and May 1948, when the State of Israel was proclaimed as an independent republic.

What was revealed at the end of the war in May of 1945? The world was confronted with the fact that 6,000,000 Jews in all parts of Europe had perished at the hands of Hitler and his cohorts. More than that, those few who did survive the Nazi holocaust were living ghosts; every one of them was a symbol of human suffering and a miracle of human survival.

In Poland, for example, we found that whereas before the war there was in that country a Jewish population of 3,250,000, at the end of the war, in May of 1945, only 80,000 survived. Those who survived came from the forests, where they fought the Hitler forces as guerrillas. They came from the bunkers which were built deep in the earth, and they were the remnant of the heroic warriors of the Warsaw ghetto, who stayed to the end in order to defend their dignity and their lives, and left through the sewers of Warsaw when opposition was no longer possible.

In Germany, which before the war had a Jewish population of 600,000, constituting a prosperous, dignified, self-supporting community, there was left at the end of the war only a handful of Jews, and most of those were in displaced persons camps that were managed and conducted by the American and the British Armies. Only a handful of German Jews managed to survive, and they were the old and the sick and the weak, whom the Nazis had not had time to send to the crematorium.

And what was true of Poland and of Germany was true of every country in Europe. For example, Hungary, which before the war had a Jewish population of some 400,000, had 200,000 survivors after the war. Czechoslovakia, which had a Jewish population of 360,000 before the war, came out of the war with 45,000 survivors. Rumania, with a prewar population of 800,000 Jews, came out of the war with 350,000. Yugoslavia, which numbered 75,000 Jews before the war, ended the war with a Jewish population of 14,000. And Greece, which had a prewar Jewish population of 75,000 came out of the war with a population of less than 10,000.

Those were the ravages which Hitler brought to the Jewish population of Europe. In summing up, we find that in all of Eastern Europe west of the Soviet Union which before the war had a Jewish population of 5,000,000, only 800,000 were left at the end of the war.

But the destruction wrought by Hitler didn't stop even there; it penetrated even into the West. In Belgium, which before the war had a Jewish population of some 85,000, 30,000 were left at the end

of the war. Holland, with a population of 90,000, ended the war with only 35,000 survivors.

Mr. Judd. Were the people killed in those countries?

Dr. SCHWARTZ. This is a reduction of people by the Germans who sent them to the extermination centers and the crematoria.

Mr. Judd. They weren't killed in those countries; they were taken out?

Dr. SCHWARTZ. They were taken out and killed in concentration camps about which I will speak. And even France, not all of which was occupied for the full length of the war, which before the war had a prewar Jewish population of 300,000, ended the war with half of the population deported, exterminated, never to return.

The end of the war brought American editors and correspondents to such places as Buchenwald, Dachau, Bergen-Belsen, Auschwitz, and other camps then unknown but now infamous.

Mr. JAVITS. I would like to point out that our chairman as well as Mr. Vorys, one of the senior members of our committee, visited certain of those extermination camps shortly after our forces liberated them.

Chairman RICHARDS. It was more terrible than anything I had ever seen.

Mr. VORYS. And we saw the few who got out, with the numbers on their wrists.

Dr. SCHWARTZ. And then it was revealed to the world that these places, many of them, were death factories, and millions of people had been systematically put to death in them. The able-bodied were sent away to labor camps and worked on starvation diets as long as they had strength in their bodies. And after that, they too were sent to the crematoria, from which there was no return.

Those who at the war's end were left were entirely without roots. They had no families, no homes, no occupations. There were tens of thousands of children who had had no schooling during the entire period of the war, which in most cases meant that they had had no schooling at all, because they were too young to go to school when the war broke out. They had received no training of any kind.

There were thousands upon thousands of full orphans—both father and mother had been done away with. There were other thousands of half-orphans, and in many cases these were separated by the circumstances of war from the one surviving parent.

To anyone who looked into the tragic face of Europe's Jewish survivors, as I did, and who talked to them, it became obvious that they wanted but two things: They wanted immediate help in the form of food, clothing, and medical care, and second, they wanted a home of their own. They wanted to leave the bitter memories of Europe behind forever. They wanted to leave centuries of ingrained anti-Semitism in Eastern Europe, the rubble of ruined homes and broken families, the bloody soil of what to them had become hated Germany. They wanted freedom and a chance to build new lives.

We, the organized Jewish communities in the United States, could give them and did give them one of the things they wanted—immediate help in getting on their feet. In the first 2½ years of the postwar era, the American Joint Distribution Committee alone spent more than \$150 million in bringing urgent relief to the shattered remnant that managed to survive. But while we could give them bread and

care and training, we could not give them what they wanted most, a home. There were two main reasons for this: Immigration to most countries had been halted by the war, and the policy of the British Government, which at that time was the mandatory government in Palestine, prevented the sending of any significant numbers of surviving Jews to that country.

Meanwhile, the need for a home was given even greater emphasis by critical developments in Eastern Europe. On July 4, 1946, a pogrom took place in the town of Kielce, Poland, in which 36 Jews lost their lives. This was an unprovoked and an unexpected attack. Those few Jews who survived and those few who managed to come back from places of exile and deportation, had hoped that the pogrom period had been left behind forever. But now they were faced with this new outbreak of hatred and anti-Semitism. Thus, this pogrom in Kielce in July 1946 was the signal for 100,000 Polish Jews—Jews who had just returned from the U. S. S. R. to which they had fled during the war, and Jews who had survived in Poland proper—to pick up their meager belongings and to start walking.

They began walking across fields, across mountains and rivers and streams, with passports and without passports, with permission and without permission, with documents and without documents. They were headed, in the first place, for the protection of the American flag in the American zone of Germany. But this was only a stopping-off place on the road to their ultimate goal, to what they considered to be their home—Palestine.

And be it said to the credit of the American Army and to the glory of the American Government that they opened the gates wide to these refugees, took them in, gave them welcome, and granted them haven and refuge until they could continue their journey.

What happened in postwar Poland was repeated in Rumania and in Hungary. As a result, additional tens of thousands of people broke out of those countries and came into the American zones of occupied Europe. And as a result of this mass exodus, the Jewish population in the camps increased from some 80,000 in 1945 to about 250,000 in the middle and end of 1946.

In the meantime, efforts were being made in many quarters to secure a home for these homeless people, to secure some kind of constructive solution to the problem of their homelessness. Such efforts were being made right here in the United States. The President of the United States designated Mr. Earl G. Harrison, of Philadelphia, then the American member of the Intergovernmental Committee on Refugees, to undertake a mission to investigate the condition and the status of Jews in the displaced persons camps and to submit to him his findings and recommendations.

At the invitation of the State Department, I had the honor and the privilege of being associated with Mr. Harrison on this mission. And one of the recommendations which Mr. Harrison brought back, the principal recommendation, was that immediate steps be taken to permit 100,000 displaced Jews to immigrate to Palestine, thereby relieving the pressure on the camps in Germany, thereby relieving the American Army of a heavy responsibility, and thereby making it possible to begin to realize a constructive solution for this problem of displaced persons.

A similar recommendation came out of the Anglo-American Commission on Inquiry, which met in Washington, then went to Europe, and finally met in Palestine. They recommended also that 100,000 certificates be distributed to the displaced persons in the camps in order to help bring about a solution to a grave problem. Also, in 1945, this very committee, and the Congress of the United States, passed a resolution calling for the opening of Palestine to Jewish immigration. But all of these efforts led to nothing because the policy of the mandatory government continued to maintain that it was impossible to liberalize the restrictive immigration policies which were then in practice.

In 1945 the total immigration of Jews to Palestine was less than 10,000. In 1947, 2 years and more after the end of the war, 1,500 immigration certificates a month were distributed by the mandatory government. Thus, 18,000 people a year came into Palestine, and I would like to call your attention to the fact that the birth rate in the DP camps was greater than 1,500 monthly. So, limited immigration was no solution to the problem of emptying the displaced persons camps.

With each passing day, the position of the Jews in the camps and out of the camps, of the Jews in Eastern Europe and other areas, was becoming more and more desperate and more and more intolerable, and efforts were then made to find other ways of getting to Palestine. Many thousands embarked on what was then called "illegal" immigration. A few managed to get through, but the great majority were stopped by the British, sent to Cyprus, and then they became, not inmates of concentration camps or of Displaced Persons camps, but inmates of detention centers. They found themselves surrounded by barbed wire, crowded into quonset huts, and without sufficient water or any of the essentials that are necessary to dignified human living.

Within a very short time, 50,000 Jewish refugees were crowded into the Cyprus camps under the most intolerable conditions. And one ship, the *Exodus-1947*, was even sent back to Germany by the British authorities. This was the situation which prevailed until 1948.

I will not go into the events which led to the outbreak of hostilities in Palestine in 1948. These are well known to this committee. But I would like to make this statement: The young men and women of Israel who were defending the infant state against the combined forces of the neighboring Arab states and against overwhelming odds, were fully conscious of the fact that they were fighting not only for themselves but for their brother Jews on Cyprus, in the DP camps in Poland, Bulgaria, Rumania, Hungary, and other lands. They were fighting for the rights of their fathers, mothers, brothers, and sisters to come and live with them; and it was that, I believe, which gave them the courage to accomplish and to achieve all those heroic deeds for which they were responsible during Israel's bitter struggle for independence.

With the establishment of the State of Israel in May 1948, the situation took a change for the better almost immediately, and the first ships with displaced persons and with refugees from all over the world began to arrive in the port of Haifa. The first ship left shortly after the war began, and some 650 immigrants arrived. In the month of December 1948 alone, 24,000 Jews, most of them from Cyprus and the displaced persons camps in Europe, arrived in Israel—more

immigrants in a single month than arrived in the entire year of 1947 under the British mandate.

As a result of this policy and as a result of the American policy as expressed in the DP Act, which was enacted in July 1948 and made possible DP immigration to this country, the DP camps were almost emptied of their Jewish inmates. At the present time there are only 31,000 Jews left in the DP camps of Germany, Austria, and Italy, and most of them are waiting for the opportunity to come either to the United States or to go to Israel.

But Israel's open-gate policy accomplished more than emptying the DP camps. It was a stroke of good fortune for hundreds of thousands of men, women and children that the State of Israel was proclaimed when it was. Because in the summer of 1948 the crisis in Eastern Europe, particularly as Jews were concerned, deepened.

The Communist policy of crushing the middle class, of expropriating private property, of blocking bank balances, and of nationalizing private enterprise, hit the Jews much more severely than other sections of the population, because the Jews constituted an urban population in East European countries where 90 to 95 percent of the people were engaged in agriculture or were peasants. As an urban group, Jews constituted the backbone of the middle class, and the wrath and fury of the Communist governments were vented against the middle class. The members of the middle class—and therefore the Jews—were crushed; they were impoverished; they were imprisoned; they were subjected to discriminations of every description.

And with this policy of economic discrimination, of being deprived of the possibility of earning a livelihood, there came also a deprivation of religious freedom and of cultural freedom. As a result of all these developments, a great urge arose among these people to emigrate as soon as possible, to go to a country where they could live a life of freedom with a measure of security for themselves and their families.

And so thousands upon thousands of Jews from all parts of Eastern Europe began to march toward Israel, with the result that Bulgaria has less than 5,000 Jews left today; there were 45,000 Jews there at the end of the war. Yugoslavia has only 4,000 Jews left out of some 14,000 when the war ended. Poland has less than 40,000 Jews left, in a country which once numbered three and a quarter million and which after the war—when Polish Jews returned from the U.S.S.R.—had more than 200,000. Czechoslovakia has less than 15,000 Jews today, out of a population at the end of the war of some 45,000.

This great exodus of Jews from Eastern Europe could never have taken place without the establishment of the State of Israel. And, as a result, as Mr. Lipsky has stated to you, within a period of some 3 years, the Jewish population of Israel has increased by some 642,000 through immigration, thereby doubling the population.

Now, I will not elaborate on what Israel's immigration policy has meant to the country from an economic point of view; I will leave that to Mr. Nathan, who is much more competent in economic matters. But it has meant austerity; it has meant hardship; it has meant a lower standard of living; it has meant deprivation of all kinds for the people in Israel. And while we, the Jews of the United States, through the United Jewish Appeal, have made every effort through voluntary contributions to deal with this great and overwhelming problem, we

have become convinced, despite everything that we have done—and I believe that we have done a magnificent job, unequalled in the history of private philanthropy—that the problem is too great to be handled through voluntary giving alone. In five years, more than \$600 million has been contributed for the relief of Jews overseas and for help to Israel in taking care of the newcomers who were flooding the country; \$600 million has been raised through an all-year-round effort on the part of the organized Jewish communities of the United States.

But the fact of the matter is that, despite all of these great efforts and despite all of the hard work and sacrifice on the part of American Jews, the problem has been, as we soon became convinced, too great to be handled through philanthropy alone and that governmental and intergovernmental aid and assistance are necessary in the time that American Jews have contributed \$600 million for overseas and Israel aid. The people of Israel have contributed an even greater amount for immigrant aid out of their earnings, out of their savings, and by depriving themselves of the necessities of life.

Yet, even the combined sacrifice on the part of the population of Israel and the generous giving on the part of the Jews of the United States has not been able to solve the great economic burden of Israel's immigration. In 3 years, more than 600,000 people have been saved—saved because they had no future in the countries in which they lived. In the next 3 years, it is the purpose of the Government of Israel to save another 600,000 people.

Where are those people coming from? Most of them will come from Rumania and Hungary, which represent a reservoir of some 600,000 Jews even today. Some of them will come from the countries of the Middle East, from the Moslem countries, from countries like Iran, where there is great tension today and where the Jewish population feels insecure. You are acquainted with the great movement which has evacuated almost the entire Jewish population, numbering 50,000, of the country of Yemen, and, more recently, that great human undertaking, the saving of 106,000 Jews who were practically expelled from Iraq. These people were flown out of Yemen and Iraq and brought into Israel because that was their only hope and that was their only chance of survival.

These miracles which have been accomplished in the years which have just passed must be repeated in the years that are ahead of us. In order to do that and in order to accomplish this great task of saving human lives, the Government of Israel must have help from outside sources.

The establishment of the State of Israel has brought about many great and fine achievements. It has brought democracy into a corner of the world where democracy was unknown; it has brought into being a country where the people believe in free institutions, freedom of worship, in a free press and in free speech—all ideals to which American democracy has been devoted.

But it seems to me that the greatest and the most glorious achievement of all on the part of Israel has been its contribution in the saving of lives. In recent times, too many lives have been destroyed; too many people have perished needlessly; too many people have been the victims of a policy of anti-Semitism and anti-Jewish hatred.

In the brief period of time in which Israel has been in existence, some 640,000 people were saved from that kind of existence and from

that kind of fate. It is our hope that, with the help and the understanding and the sympathy of the American Government, an additional 600,000 will be rescued in the immediate years to come.

Thank you.

Chairman RICHARDS. Thank you, Dr. Schwartz.

The next witness is Mr. Robert Nathan. Mr. Nathan whom do you represent?

STATEMENT OF MR. ROBERT NATHAN, REPRESENTING THE AMERICAN ZIONIST COUNCIL

Mr. NATHAN. I have been asked to appear here, Mr. Chairman, for the American Zionist Council.

Chairman RICHARDS. Have you a prepared statement?

Mr. NATHAN. No; I have not, sir. I just flew in from Minnesota this afternoon. If I may, I would like to speak extemporaneously.

May I just state briefly that my work is that of a consulting economist. In 1944 and 1945, I went to Palestine to direct a study on the economic potentials of the country. That resulted in a book, of which I was coauthor, entitled "Palestine, Problem and Promise," outlining the progress, current conditions, and the prospects there. More recently, I have spent some time as economic adviser to the Jewish Agency for Palestine, and in that capacity I have registered with the Justice Department, in their foreign agent registry, on behalf of that organization.

Mr. VORYS. Before that, you were with the Government, and it seems to me you debated up at Williams College one time, didn't you?

Mr. NATHAN. With Congressman Vorys, yes, sir. We had a good time. I have had great respect for the Congressman ever since that meeting. As a matter of fact, the timing then was almost identical with the recent timing. It was in the early stages of the mobilization period, and we were debating then about problems of controls and mobilization.

Mr. VORYS. You were a very effective debater yourself.

Mr. NATHAN. I would like to take only a very few minutes. I know it is late, and therefore in the interest of saving time I may be a bit dogmatic, perhaps, in drawing a few economic observations on Israel and Palestine and in giving my reasons for urging an amount of aid larger than what is provided for in the Mutual Security Program and more in line with what was proposed in the special resolution.

The needs of Israel are needs which relate to one factor alone, and that is immigration. I want to emphasize that over and over again. Every statistical analysis, every economic analysis of that country demonstrates conclusively that the settled population of the country is self-supporting and has been self-supporting for the past decade to 15 years.

Put another way, I would say that had it not been for immigration, or were it not for immigration at the present time, given a short period of time for the most recent immigrants to become integrated and absorbed economically into the community, there would be no need for further assistance of a philanthropic or an investment nature in that country. The settled population has developed an economy which, in the fields of agriculture, industry, trade, finance, and services, is a sound, solid, going, self-supporting concern.

That has been done in the face of serious limitations of natural resources. Records would show that in the period of literally one generation, from the end of World War I, they have really performed an economic miracle in that area, in a country which was quite deteriorated and quite degenerated economically. I have often said that if the country ever had the characteristics of a land of milk and honey, those characteristics were quite hard to find in 1918.

With limited resources, these people with tremendous energy and imagination have built a solid industrial and agricultural community, a well-balanced modern productive community; today Israel has about as large a proportion of its total labor engaged in manufacturing activities as has the United States; today its agriculture is intensive and yields high values of output per acre comparable with the more advanced countries; and today one who visits there finds a marked contrast with what the statistics and pictures and facts and descriptions show existed there just 30 short years ago.

Even with this tremendous progress and even with the very favorable prospects which I feel that country holds in terms of economic opportunity, its problems are great. I might digress here to say that our report which came out in 1946 has already proven to be too conservative in its appraisal of what could be accomplished. In other words, the increases in economic activity in that country—in production, in agriculture, in employment—since 1946 have far exceeded our most optimistic projections at that time, which then were regarded by many as being far too optimistic.

I think the prospects are excellent and the progress has been remarkable, but the problems are very, very large, because of one specific reason, and that is immigration. At no time in the history of any country in the world has there been a relative increase in population of the relative magnitude as has occurred in Israel in the past 3 years. As Dr. Schwartz pointed out, in the first 3 years of the new State of Israel, 600,000 newcomers entered that country. The population was practically doubled in a 3-year period, which is unprecedented anywhere.

On the basis of present prospects elsewhere in the world—and I might say that immigration into Israel is determined more by external forces in other countries than by the forces within Israel itself—on the basis of the best judgments that can be made at this time, it appears that probably an additional 600,000 will seek a haven there in the next 3 years. It is possible, if there are no changes in general conditions in other countries, that at the end of that period, so-called compulsory immigration might come to an end, and from then on it will be more orderly, more normal, and more of a voluntary nature.

Mr. MANSFIELD. Mr. Nathan, could you tell the committee what is the area of Israel?

Mr. NATHAN. Eighty-one hundred square miles is the area of Israel. It is approximately the size of the State of New Jersey.

The rate of immigration in the last 3 years is quite startling when one compares it with the rate of immigration into Palestine. In the 30 years under the mandate, nearly 450,000 Jews entered that country, which is about 15,000 a year. In the first 3 years of the new state, the immigration has averaged about 17,000 a month. The rate of immigration into Israel has been roughly 15 times the rate of immigration into Palestine under the mandate.

In these past 3 years, a remarkable degree of progress has been achieved in absorbing these people and putting them to work. But despite the fact that perhaps 75 percent to 80 percent have been economically absorbed, there has developed a sizable backlog of people who live in transient camps, who live in work camps, who haven't fully productive jobs, who haven't the housing, who haven't the productive tools essential for productivity comparable with their predecessors or with their abilities. That backlog is becoming increasingly disturbing, of course, to the country. The backlog will grow more serious unless adequate amounts of capital and facilities are forthcoming to absorb these individuals. That in essence is the real problem of the country—facilities for productive employment of the newcomers.

I might say that this backlog has developed despite the fact that they are liquidating the sterling balances, which the country owned at the termination date of the British mandate, and which enabled them to buy machinery, materials, and equipment in the sterling area; and despite the fact that Israel received a \$100 million Export-Import Bank loan in 1949 and another \$35 million Export-Import Bank loan in December 1950; despite the generosity of the Jewish community in other countries; and despite the severe austerity, very severe rationing, and deprivation accepted by the people of Israel, who consume considerably less than they produce. Despite these factors, there has been developed this backlog, which necessitates considerable supplementation of financial assistance on top of the previous methods and techniques of financing the country's development.

Mr. ROOSEVELT. What is the approximate size of the backlog?

Mr. NATHAN. About 150,000 are in work and transit camps. Most of these individuals are employed in work camps where their productivity is far below what it could be if they had the capital and the raw materials with which to work.

Now, normally a country provides the investment for its growth of population and for its rising standards of living out of savings. We produce a certain quantity of goods and services a year; we consume less. We set aside a portion of our production in the form of savings which are invested and appear in the form of buildings, new machinery and equipment, housing, and other durable goods. These investments enhance production and provide the basis for further rises in living standards.

Of course, some of the backward countries of the world produce so little in terms of total output that they can't put much aside. Therefore they find it very difficult to develop. That is one of the great justifications and great needs for our helping the less-developed countries. They just haven't it within their own power to set aside much for capital expansion and for investment to increase their standards of living and their production very rapidly.

Now, that normal process of savings and investment must be supplemented when you have large-scale immigration. There is no country in the world which has increased its population by any significant amount through immigration, which has been able to provide the capital for those new immigrants out of its own production. We here in the United States were a debtor nation for 140 years; America imported more than it exported for a considerable period of our initial development. We had capital being brought in by the im-

migrants; we had foreign investments; we had loans from abroad. We had to have capital to absorb our immigrants.

I believe at no time in our history did our population increase by more than 2 percent a year through immigration and yet we needed foreign assistance and a net import balance; Australia, which is a highly productive community, is contemplating a 4-percent increase in population through immigration and will require foreign capital for that program; in Israel the population increase in the first 3 years averaged over 30 percent a year as a result of immigration alone. I think it is obvious that the process of production, savings, and investment could not conceivably provide the absorption capital to put these people to work and get them to a point where they become productive and self-supporting as have their predecessors.

The Israeli people have definitely made magnificent contributions to the absorption of these newcomers. That is clear through their austerity, through their taxes and their contributions, through their savings, forced and voluntary. But that is by no means enough.

The Israeli officials, on the basis of their best experience, have estimated that the per capita cost of absorbing newcomers is around \$2,500. I looked back in our book, *Palestine, Problem and Promise*, which we published in 1946; I looked at our estimates of absorption costs in that book and brought them up to date for adjusted prices in the world picture in the interim, and I found that \$2,500 per capita estimate of the Israeli officials is a very minimum and a very conservative estimate.

Now, it doesn't take much to figure that \$2,500 per capita times 200,000 people per year means Israel needs 500 million dollars a year to absorb those newcomers in a complete economic sense. Part of these funds—about 10 percent—are needed for so-called relief, for transportation of those who haven't even the means to pay for their own transportation, who had to leave their resources behind when they left the countries from which they departed. Part of the money is needed for the initial food, the initial clothing, the initial tents or minimum shelter, the minimum requirements of life in the first days or weeks or months until jobs are available, until housing is available, until there is the machinery on which they can work.

Five hundred million dollars a year is, of course, a fabulous amount for a small country of 1,400,000-odd population. As a matter of fact, their total national income in the year of 1950 was about 900 million dollars.

Mr. VORYS. Bob, they have spoken of 600,000 immigrants as doubling the population. Then I have seen the figure 1,300,000. You say 1,400,000?

Mr. NATHAN. That includes the Arabs. There are about 1,300,000 Jews in the country now. Immigration for the first 3 years was about 600,000. Jewish population was a little over 600,000 when the State was established. With the natural increase from the excess of births over deaths, total Jewish population now comes to about 1,300,000, and you have about 150,000 Arabs. So, the total population in Israel today is just short of a million and a half.

Now, this 500 million dollars, as I say, is needed for two purposes. One purpose is for relief, the initial assistance, and that is estimated to be 50 million dollars a year. About 90 percent or 450 million dollars

is needed for housing, public works, public utilities, and all kinds of productive facilities. Much is needed for machinery, lathes, punch presses, drill presses, rolling mills, tractors, irrigation equipment, things whereby you produce and live and create and become self-supporting. Some is needed for housing, for public works, for schools, for highways. No country can double its population in 3 years or triple its population in 6 years without needing huge increases in all these capital facilities, whether they be public works or hotels or housing or factories. The total capital requirements of a country obviously must be very substantially expanded when a country doubles its population in 3 years and will triple it in 6 years.

The big, really sizable need of Israel today is the capital for the absorption of these people. Take housing. Say there are four persons per family and 200,000 immigrants. That calls for 50,000 living units. Let us say that the minimum that goes into new housing there is \$2,500 per family unit. That is \$125,000,000 each year just for housing. And then when one thinks what is needed for public works and public utilities and machinery and equipment, for production—what has to be invested per person—the needs obviously are very large.

I noticed the other day that the hundred largest corporations in America have an average investment of over \$15,000 per employee in machinery, equipment, and plant. That is what makes for production—ability and skills plus capital. A man with ability without capital can't produce a great deal; and, of course, a man who has machinery and doesn't know how to use it can't produce a great deal, either. Our average investment per capita in the United States is between \$6,000 and \$7,000. The modesty or conservatism of Israel's estimated needs are revealed by the fact that their immediate investment goal per newcomer will be only about one-third the United States level, even though Israel is a modern mechanized community.

In Israel there is the know-how. They have demonstrated their ability to produce once they have the machinery, the equipment, the facilities. For that country to absorb 200,000 a year, as they are being called upon to absorb, the needs are far beyond anything that had been contemplated or anything that has been forthcoming. That is why the United States is being called upon for assistance.

The balance of payments of Israel, of course, is adverse. I use that economic term. In economics we say that an unfavorable balance of trade exists when a country imports more than it exports. I don't think such a balance is adverse in a real sense. You have to have more imports if you are going to develop and absorb these new immigrants in any number. The problem of Israel is not achieving a trade balance today or tomorrow; they can't do it, and they shouldn't even try to do it until immigration slows down. As long as immigration comes in in large numbers, they have to bring in more imports than they export. The problem is, how do they finance that balance of payments?

Part of it is financed out of contributions, and the Jews of America have been wonderfully generous. The Israel Government is now floating a bond issue in the United States, and the response has been encouraging. I happen to be a member of the board of governors of the organization which is responsible for the distribution of those bonds; they are going very well, and the prospects are excellent.

Much progress has been made because of contributions, these bond sales, and through direct private investment by such companies as Kaiser-Frazer, General Shoe Co., General Tire, Dayton Tire, Philco, and others. But the magnitude of Israel's requirements is so great as to create major economic difficulties. It is that deficit which has brought so many of the newcomers into only partial production.

It seems to me tragic that individuals who have skills, who have ability, who have capacity, should be denied the opportunity to apply those skills for increased production, especially in that part of the world where the democracies need a strong ally, a country which is dedicated and devoted, as is Israel, to the democratic philosophy.

I believe that Israel today can and will become a spearhead of economic development in the Middle East. I personally have a great deal of confidence as to what the Arab countries can do if they are given an opportunity. I saw Arabs in Palestine long before the partition. I saw how they learned and produced; how they raised their standards of living; and the standards of living of the Arabs in Palestine were substantially higher than those of the Arabs in the adjacent countries.

I am convinced that peace will come between Israel and the Arab countries; and, once that does develop, it seems to me that a modern, highly industrialized Israel cannot help but be a stimulating force in that part of the world. The horribly low standards of living that prevail in the Arab countries and the frustration which those low standards of living bring to those people make them subject to all kinds of totalitarian appeals. Therefore, I feel that because of our need for allies in every part of the world, because of the need for some spearhead to help the development in that strategic area, we ought to go all out in providing the maximum economic assistance.

It is my judgment that the 150 million dollars requested in the resolution is much more in line with Israel's very minimum needs than the 23½ million dollars that is proposed in the suggested bill. The dividends which we will have here in the United States in terms of economic development there, in terms of the stronger friendship, in terms of the impact that it will have on all the countries in that area, will more than repay us, and I would urge not only the 150 million dollars for Israel but I would also urge substantially greater assistance to the Arab countries.

Chairman RICHARDS. Thank you, Mr. Nathan. I venture to say you gave Brother Vorys a rather hard time that night.

Mr. VORYS. When you say 90 percent of something is for capital, and you draw the analogy to our own country's development, that immediately makes me think not of grants but of loans. Now, I am not debating, I am scared to debate with you, but I just wanted to say that that is what it sounds like to me.

Dr. NATHAN. Actually, the line of demarcation between relief and investment is not a very clear and sharp line. Ten percent of this 500 million dollars a year that is required is needed for outright relief; that is clear. Now, of the balance, about 250 million dollars a year is needed for strict economic enterprises, such as power factories, farm equipment and the like. Another 200 million is needed for housing and public works, health, and education. These are areas which one might describe as not of a strict investment nature. Normally that

is paid for out of flotation of loans, payment of taxes, and so forth. These kind of projects have been financed by our grant-in-aid program in many countries.

I would say there is justification for a grant as well as loans. And, by the way, the 135 million dollars Israel has received in loans from the Export-Import Bank all went to specific, concrete economic projects, such as power plants, factories and specific agricultural settlements.

The burden which the Israelis are imposing upon themselves and their posterity is so great that they ought to be given help in the form of grants for things like housing, public works, schools, hospitals, and items of that nature.

Mr. FULTON. We in the United States were paying approximately 74 million dollars a year to keep the displaced persons in the IRO camps. By Israel's taking these people out of the camps and assuming a portion of the burden, they have (1) assumed the duty of keeping those people, which the United States otherwise would have had to take care of almost entirely through the United Nations, and (2) assumed the burden of resettling, which again was a United Nations Refugee Organization expense. So that there are those two continuing expenses that the United States would have had to take care of had Israel not moved in so strongly to take care of the refugee problem. And that is not a capital expenditure but an immediate expense and a drain on the economy of Israel, which would have been on ours.

Mr. VOYTS. I was the author of the IRO bill. After the chairman and I had seen those camps, I had a special interest in the matter. I was the author of the bill, and our chairman was extremely helpful in getting that through in 1947.

I have just had run-off here copies of the per capita economic aid proposed in this legislation before us. For title 1—that is Europe—the per capita aid is \$7.22. For title 2 it is \$1.03 per capita; title 3, 59 cents; title 4, 16 cents per capita. The 150 million dollars proposed is \$1,000 per capita.

Mr. NATHAN. No; it is \$100 per capita.

Mr. VOYTS. You said \$2,500 per capita.

Mr. NATHAN. That is the total absorption. Of course, I might say one thing on that, Congressman. You see, the differences between needs that arise out of immigration and needs that arise out of normal development and natural growth in population are very substantial. Suddenly you drop a person in a country, and for that person you have to have a house; you have to have schools; you have to have highways; you have to have electricity, you have to have factories. So that the total impact suddenly falls upon the country and if immigration is large the impact is large. If you are going to have the kind of economy which Israel has there, which is a westernized economy in which the investment is roughly today about \$2,500 per capita, then the needs are large. If they had a very undeveloped country with very low investment per capita, the needs for absorbing newcomers would be smaller.

You see, in a country where you are trying to pull up living standards it is so much different. If Israel were asking for participation for economic development for its existing population, I would agree with you 100 percent that on a per capita basis it might bear some relation-

ship to some other countries. But needs for immigration are different. I might say that, if we tried to double the capital and production and living standards of a country's population over a 3-year period, then the needs would be comparable with the needs arising out of a doubling of population through immigration in 3 years. But that is a goal—doubling production of a given population within 3 years—which is beyond the realm of achievement.

Mr. JAVITS. Mr. Chairman, I would like to insert in the record, if I may, by unanimous consent, a declaration signed by 164 Members of the House in support of the McCormack-Martin bill.

Chairman RICHARDS. Without objection, that statement will be included in the record.

(The statement referred to is as follows:)

It is the sense of the undersigned members of the House of Representatives that the United States should now grant economic assistance to the Government of Israel in order to assist it in absorbing its large influx of immigration and in developing its natural resources and industries, so that, with its security and independence thus strengthened, Israel may become a military, economic, and ideological bastion for the free world in the Middle East, aiding in the maintenance of world peace, security, and liberty, and thereby promoting the general welfare and security of the United States.

Accordingly, the undersigned express their support of H. R. 3458 and H. R. 3188, the bipartisan bill authorizing economic assistance to Israel, introduced by Hon. John W. McCormack, majority leader, and Hon. Joseph W. Martin, Jr., minority leader, and S. 1247, introduced by Senators Douglas, Taft, Anderson, Benton, Brewster, Butler of Nebraska, Cain, Duff, Ferguson, Gillette, Hendrickson, Hennings, Hill, Humphrey, Hunt, Ives, Johnson of Colorado, Kefauver, Kilgore, Lehman, Lodge, Magnuson, Martin, McMahon, Morse, Murray, Neely, O'Connor, Pastore, Saltonstall, Smith of New Jersey, Sparkman, Thyne, Tobey, Young and Mrs. Smith of Maine, continuing the traditional policy of the Congress shown by the joint resolution passed September, 1922, favoring Jewish aspirations in Palestine, and the concurrent resolution of December 20, 1945, favoring free Jewish immigration into and unrestricted development of Palestine as a democratic commonwealth. The undersigned urge early study and favorable action on these bills.

Alabama

Laurie C. Battle
Edward deGraffenried
Carl Elliott
Albert Rains

Arkansas

Brooks Hays
Boyd Tackett

California

Clyde Doylo
Clair Engle
Frank R. Havenner
Chet Hollifield
Donald L. Jackson
Leroy Johnson
Cecil R. King
Gordon L. McDonough
Clinton D. McKinnon
George P. Miller
Norris Poulson
John F. Shelley
Samuel W. Yorty

Colorado

Byron G. Rogers

Connecticut

John A. McGuire
Albert P. Morano
James T. Patterson
A. A. Ribicoff
Horace Seely-Brown, Jr.
Antoni N. Sadlak

Delaware

J. Caleb Boggs

Florida

Bill Lantaff

Illinois

William L. Dawson
Thomas S. Gordon
Richard W. Hoffman
Edgar A. Jonas
John C. Kluczynski
Peter F. Mack, Jr.
Thomas J. O'Brien
Melvin Price
Adolph J. Sabath
Sidney R. Yates

Indiana

William G. Bray
Winfield K. Denton
Ray J. Madden

Louisiana

F. Edward Hébert

Maryland

J. Glenn Beall
James P. S. Devereux
George H. Fallon
Edward A. Garmata
Lansdale G. Sassecer

Massachusetts

Harold D. Donohue
Foster Furcolo
Angier L. Goodwin
Christian A. Herter
Thomas J. Lane
Philip J. Philbin
Edith Nourse Rogers

Michigan

John D. Dingell
Gerald R. Ford, Jr.
John Iesinski, Jr.
Thaddeus M. Machrowicz
Louis C. Rabaut

Minnesota

John A. Blatnik
Eugene J. McCarthy
Roy W. Wier

Missouri

O. K. Armstrong
Claude I. Bakewell
Richard Bolling
A. S. J. Carnahan
Frank M. Karsten
Clare Mages

New Jersey

Hugh J. Addonizio
Gordon Canfield
Clifford P. Case
Edward J. Hart
Charles R. Howell
Robert W. Kean
Peter W. Rodino, Jr.
Alfred D. Sieminski
Charles A. Wolverton

New Mexico

John J. Dempsey

New York

Victor L. Anfuso
Charles A. Buckley
William T. Byrne
Emanuel Celler
Frederic R. Coudert, Jr.
Isidore Dollinger
James G. Donovan
Sidney Fine
Ralph A. Gamble
Ernest Greenwood

Ralph W. Gwinn
Edwin Arthur Hall
Leonard W. Hall
James J. Hoffernan
Louis B. Heller
Jacob K. Javits
Bernard W. (Pat) Kearney
Kenneth B. Keating
Edna F. Kelly
Eugene J. Keogh
Arthur G. Klein
Christopher C. McGrath
William E. Miller
Abraham J. Multer
James J. Murphy
Harold C. Ostertag
Donald L. O'Toole
Adam C. Powell, Jr.
T. Vincent Quinn
Edmund P. Radwan
R. Walter Richman
John J. Rooney
Franklin D. Roosevelt, Jr.
Katharine St. George
Dean P. Taylor
William R. Williams

North Carolina

Charles B. Deane

North Dakota

Usher L. Burdick

Ohio

William H. Ayres
George H. Bender
Edward Breen
Robert Crosser
Wayne L. Hays
Michael J. Kirwan
Frazier Reams

Oregon

Homer D. Angell

Pennsylvania

William A. Barrett
Earl Chudoff
Robert J. Corbett
Harmar D. Denny, Jr.
Herman P. Eberharter
Daniel J. Flood
James G. Fulton
William T. Granahan
William J. Green, Jr.
Augustine B. Kelley
James F. Lind
Thomas E. Morgan
Harry P. O'Neill
George M. Rhodes
Hardie Scott
Hugh D. Scott, Jr.
Edward L. Sittler, Jr.
Francis E. Walter

Rhode Island

John E. Fogarty
Aime J. Forand

South Carolina
Joseph R. Bryson

Tennessee
Howard H. Baker
Clifford Davis
Joe L. Ewins
Albert Gore
J. Percy Priest

Utah
Reva Beck Bosone
Walter K. Granger

Vermont
Winston L. Prouty

Washington
Henry M. Jackson
Hugh B. Mitchell
Thor C. Tollefson

West Virginia
M. G. Burnside
E. H. Hedrick
Harley O. Staggers

Wisconsin
Alvin E. O'Konski
Charles J. Kersten
Gardner R. Withrow
Clement J. Zablocki

Puerto Rico
A. Fernós-Isern (Res. Com.)

Mr. JAVITS. Mr. Chairman, I also wish to insert in the record a statement on the Mutual Security Program submitted by the National Council of Jewish Women.

Chairman RICHARDS. Without objection, the statement will be included in the record.

(The statement referred to is as follows:)

STATEMENT SUBMITTED BY NATIONAL COUNCIL OF JEWISH WOMEN, NEW YORK, N. Y.

Throughout its history, the National Council of Jewish Women has supported all measures designed to build a world of peace and stability. In the recent post-war years, the NCJW has recognized the grim fact that peace and stability require military defense as well as the economic and social measures which normally line the path to peace and plenty.

The members of council have not turned aside from the realities of the world today. When Korea was invaded the NCJW took a firm stand in support of the action of the UN Security Council and the United States in resisting aggression in Korea.

But, at the same time, the NCJW firmly expressed the view that military might alone would fail to secure a free, peaceful world. "We have had many tragic lessons to show us that military objectives once obtained fail us unless they become the prelude for broader democratic goals. * * * The United States must particularly give concrete evidence of our intentions to the people of Asia. This can best be done by increasing the scope of our point 4 program, by giving them direct economic aid such as the Marshall plan provided for Europe and by supporting the forces of democracy and independence now making themselves felt throughout Asia."

Americans are faced now with the same problem of dividing our strength and resources between military and economic aid. Again, the NCJW stands firm in the belief that economic aid must not be sacrificed to the military; that we must not forget our total and long-range aims under the immediate threat of aggression.

It is because of this unwavering conviction that we of the NCJW are writing to urge that the legislation for foreign aid give full and bold recognition to the need for economic assistance, especially to the people of Asia who are in such desperate need of help to achieve freedom and security.

It is one of the tragedies of our time that the rich fruits of the great industrial power of the United States must be devoted to defense and security for as long as the threat of Soviet aggression continues. The tremendous obligations that we have undertaken in the Mutual Security Program must be maintained at full strength until the possibility of peace without military strength has been reached.

But, although the United States is now forced to engage in defensive military preparations on a scale unequalled by anything in American history, we cannot allow ourselves to forget that our military preparation is not an end in itself. We are prepared to defend the free way of life and, if necessary, to fight for it, but military defense is not enough. We must at the same time work constantly

to strengthen freedom throughout the world and thereby prevent the encroachments of communism.

The most susceptible area for these encroachments is that vast part of the world where the majority of the people are on the verge of starvation, and where ill health and illiteracy dominate. It was about this part of the world that President Truman spoke when he urged a "bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." Our aim should be to help the free people of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens. Aid to the backward areas of the world is vital to the defense of freedom. If freedom is to be successfully defended, we must give this aid to the very limit of our ability. Through such a "bold new program" we will make clear to all the world our support of the United Nations Charter, which aims to create conditions of stability and well-being in the world through higher standards of living, full employment, and conditions of economic and social progress.

Economic assistance to raise the living standards of backward countries is not new in the history of the United States. In the Philippines and South America the United States has been giving such aid for many years. But the critical necessity which requires that we give generously of our economic aid now at the same time that we are so burdened by the tremendous cost of defense preparations is new now, and because it is new it has perhaps not been given its proper importance.

The critical necessity stems from the fact that the Soviet Union and its satellites are using more than military weapons in their struggle to gain mastery of the world; they are also using the weapons of ideological propaganda. We are all familiar with the theme of this propaganda which claims that only communism will bring peace and plenty to the world. What we must recognize now, before it is too late, is that the answer of the free world to this Communist line is proof in deed as well as word that the free way of life is the abundant way of life both materially and spiritually.

The United States can prove this by making the point 4 program of technical assistance to the backward areas of the world the "bold new program" that was envisaged when President Truman first set forth this program in 1949. The needs of the backward areas of Asia and the Near East, of India, Iraq, Pakistan, and the other countries of this wide area which lack the means to support their populations, seem overwhelming, but they can be met and overcome if sufficient aid is given in time.

The United States is embarked on a tremendous program of establishing the mutual security of those nations of the world which are not under Communist domination. Security in the world today cannot come from military strength alone, no matter how important it is at present. In the long run what will build the strength of the free nations and enable them to counter Communist pressures is the social and political strength that come with economic stability and a high standard of living for all. Because we believe so firmly in the need for economic strength alongside of military strength, the NCJW urges that provision for economic aid to the backward areas of the world be on a scale large enough to achieve the ends of freedom and security which are our goal. We believe, moreover, that in order to give this program of economic assistance the importance it warrants it must be kept separate from the provisions for military security. The two are separate and distinct and should be kept so for the best effectiveness of both.

Mr. FULTON. Could I go just a little further on the question of the per capita cost? In order to compare two countries on a simple per capita basis, it would be necessary to have the same situation existing in each country. It is very hard to get the same basis in each country with the variety of countries we have under the program.

Secondly, even if we took for comparison, countries where the people were settled, comparing them with other settled countries, we would be unable to get some relative figure of population for comparison.

Thirdly, taking a country where the people have an immigration influx of great proportions and also an expense without a capital addition to the economy, it is awfully hard then to compare that kind of country with a settled country. In conclusion, if we should

try to make the comparison per capita, we would have to deduct the preliminary expense of the arrival of these immigrants and then look, per capita, to see what goes to the country on a capital basis or for military aid or for the economic aid supporting military aid in the country. Would that not be the case?

Mr. NATHAN. Exactly. And what you said at first, Congressman, is so true. I would say today the per capita wealth in a country like France is probably around \$2,000 per person; the per capita wealth in the United States is around \$6,000 to \$7,000 per person; the per capita wealth in India probably is not over \$200 to \$300 per person. Say you wanted to try to increase the income of the French people by 10 percent. Income is related to wealth; it is the machinery plus the productive capital plus the ability. If you wanted to increase the income per capita in France by 10 percent, you would have to increase the wealth by that percentage. A 10-percent rise of wealth and income in India would call for much less investment than a 10-percent increase in France.

Mr. FULTON. Another point is this: Certainly the Jewish communities of the United States, and especially Pittsburgh, have more than done their share on the philanthropic approach to Israel. In addition to that, these United States Jewish citizens have participated as usual in our community in local philanthropic activities that are mostly non-Jewish and general public welfare in character. So, I think we could say that the Jewish people in the United States, as well as Israel have done everything they could before coming to the Government for aid.

Chairman RICHARDS. Mr. Nathan, Mr. Vorys spoke about relative per capita contribution that was proposed here. You say this is an extraordinary case on account of the refugees that come in. You have to add to that the refugees who were forced out of Israel whom we are helping to support.

Mr. NATHAN. I think you should. Of course, there is a question, Mr. Chairman, as to whether they were forced out. That is political. I, of course, feel they should be given the maximum aid. I think they have got to be given every opportunity and every assistance for reabsorption.

Mr. FULTON. On that particular point of the Arab refugees that have left Israel, is it not a fact that preliminary steps have been taken by Israel under United Nations auspices to determine the value of the property which they left behind? Israel, through its Government, has already accepted the policy that it will make reasonable payment to those Arab refugees for property abandoned.

Mr. NATHAN. Yes; they have the comparable organization such as our Alien Property Custodian.

Chairman RICHARDS. Of course, that doesn't take care of livelihood and subsistence.

Mr. NATHAN. No. But if your funds provide the tools with which to work, there is a basis for self-support. Let us say you have Bedouins who have departed who had a herd of 10 goats or 20 sheep. Once those goats or sheep are restored, the opportunity for livelihood is restored.

Mr. VORYS. I remember your speaking of what it takes to increase per capita income. Here is a report of a group of experts appointed

by the Secretary General of the United Nations on measures for the economic development of underdeveloped countries. They say:

It remains the case that a 2-percent increase in the per capita national incomes cannot be brought about without an annual capital import well in excess of 10 billion dollars.

That is for the underdeveloped countries, and in their list in the Middle East is Israel.

Mr. NATHAN. It takes a tremendous amount of investment to increase income and production.

Mr. Chairman, I intended to ask if it would be all right to submit as part of the record a statement made by Mr. Sidney Sherwood, Secretary of the Export-Import Bank, in a speech in Philadelphia on February 20 of this year concerning the use of the Export-Import Bank loan by Israel.

Chairman RICHARDS. Without objection, that will be included in the record.

(The material referred to is as follows:)

EXCERPTS FROM AN ADDRESS DELIVERED IN PHILADELPHIA ON FEBRUARY 20 BY SIDNEY SHERWOOD, SECRETARY OF THE EXPORT-IMPORT BANK OF WASHINGTON

The Export-Import Bank, with \$3 billion in outstanding loans or undisturbed commitments in over 40 countries, has few borrowers who have used their loan dollars more wisely or meticulously than has Israel.

The loan to Israel was made in January of 1949 in the amount of \$100 million to assist the new state in carrying out its economic development program. This loan to Israel was made only after long and thorough study of the economic risks involved. \$35 million of this was allocated for the establishment of new farms and equipping and expanding of old farms; \$20 million for expansion of existing industries and establishment of new ones; \$20 million for transportation and tele-communications; and \$25 million for housing and community facilities. In December of 1950 an additional credit of \$35 million was authorized for continued agricultural development and construction of fertilizer plants.

Now what has happened? In the 2 years which have elapsed since the first credit for agricultural development was established in the amount of \$35 million, Israel has invested twice that amount or the equivalent of over \$70 million. These funds have been used for the development or expansion of about 20,000 farms. Israel's food output has increased approximately 50 percent in the 2 years since the beginning of the Export-Import Bank program. More than 300 separate Israeli firms, large and small, have received loans under the \$20 million allocated from the credit for industry. The total invested capital of these firms is four times the amount of the loans.

Out of funds allocated from the Export-Import Bank loan the port of Haifa has been enlarged and equipped with cranes and other handling equipment which have increased its capacity by reducing the turn-around time of ships which formerly had to lie at anchor for long periods awaiting a berth at the pier.

Six million dollars of the loan was used for the purchase of trucks and busses to replace and augment outworn equipment. In order to make the loan dollars available go as far as possible, the Israelis purchased the chassis and motors in the United States and either built their own bodies in Israel or converted bodies from old British lorries. This is an example of Israel's prudence and ingenuity in utilizing its credit.

However, one basic fact continues to challenge the new state. Even with the phenomenal progress made thus far in increasing the output of farm and factory, the increase in Israel's productive capacity is not keeping pace with the increase in her population. Until this gap is closed, Israel will continue to maintain her balance of payments only in precarious equilibrium through foreign contributions and investments.

But I believe that Israel will succeed in her economic program. I base that optimism on my recognition of Israel's greatest asset—the dedication of one and all to the successful economic development of the country, backed by the will to work. One cannot visit the farms and factories of Israel today without noting

that same pioneer spirit, courage, and determination which dominated the United States in the early stage of its development.

Mr. CARNAHAN. Mr. Chairman, the Jewish people, in their new nation, Israel, have very dramatically shown what can be done by intelligence and hard work, with a purpose and with determination. They are and can continue to be an effective force in the struggle for survival now so dangerously challenging the free world. Now, when all free peoples must unite or perish, this new democracy should be encouraged and helped to further use their skills in the struggle.

Mr. ROOSEVELT. Mr. Chairman, I would just like to point out that a great deal of emphasis has been placed on the fact that this bill is in the national interest of the United States and its people, as well as in the interest of peace and security for the world. I have visited Israel, and it is my deep conviction that the free peoples of the world have a showcase for the advantages of a free society in this great little country. We owe a great deal to Israel for having taken the refugees off our hands out of the DP camps.

On the other hand, we have a showcase which can be a great moral force in a very sensitive area, in the whole Middle East, as was said earlier. For that reason, I don't think we ought to apply a per capita standard in any way at all.

Mrs. KELLY. Mr. Chairman, I join my colleagues in welcoming Mr. Lipsky, Dr. Schwartz, and Mr. Nathan. After listening to their report one wonders if we are living in a civilized world. I am sure the people of Israel will remain a strong force in defense of the free world. I would like to know if there is any dollar estimate of the property that the Jewish refugees were forced to leave behind in the countries of the world when they sought refuge in Israel, and the dollar estimate of their confiscated property in Germany.

Mr. NATHAN. I know one discussion was had with the authorities in Germany concerning the possibility of reparations. As I recall the figure there, the estimated value of property lost in Germany alone was somewhere around a billion and a quarter to a billion and a half dollars. That would involve some 500,000 or 600,000 people. I don't know of any estimate of all the other countries, but I am sure it would run into many, many billions of dollars.

Mrs. KELLY. Is there any estimate of how much it cost the Allies to support a refugee person in a DP camp per annum.

Dr. SCHWARTZ. You mean per capita cost or total cost? According to our calculations, the per capita cost of supporting a person in a camp in 1947 ran about \$30 to \$35 per month. Of course this includes expenditures other than those of IRO or UNRRA.

The State of Israel has taken in people who are IRO-eligible refugees, in the neighborhood of 150,000. Those are people who would be eligible for IRO assistance if they remained not only in the DP camps but in any one of the countries of Europe. Now, if you take the 150,000 and multiply that by the per capita cost, which incidentally has increased today because of rising prices, you get a fair estimate.

Mr. NATHAN. It would be about \$100 million per year.

Mr. CARNAHAN. Is there any estimate of how many more refugees Israel will likely have to take?

Mr. NATHAN. On the basis of present judgments as I pointed out, the Israel leaders believe that probably another 600,000 will move

there under some degree of compulsion or other. On the basis of the present judgment they believe that will pretty much bring an end to compulsory emigration. Of course no one can tell what might happen because a country which today may be forcing Jews to emigrate, may tomorrow close its gates and another country, where Jews live in high insecurity but are denied exit, may open its gates tomorrow and force them out. On the basis of the best judgments, another 600,000 will go to Israel and so-called compulsory emigration may be over in another 3 years.

Mr. CARNAHAN. Another 3 years?

Mr. NATHAN. Yes, sir.

Mr. CARNAHAN. What is the density of population in Israel?

Mr. NATHAN. One million four hundred and fifty thousand in the country of 8,100 square miles, which equals about 180 per square mile. The density is quite a bit lower than some of the very densely populated countries of Western Europe, substantially higher than other countries.

When you go into Israel—and I was there a few months back—it is significant to note that vast areas of the country are not populated in any real degree, such as in Galilee and most of Negeb.

It is my judgment that perhaps Israel's population could go to 3 million to 4 million persons in a decade on a self-supporting basis, provided there is adequate capital.

Mr. CARNAHAN. And they are only up to 1,250,000?

Mr. NATHAN. One million four hundred and fifty thousand.

Mr. CARNAHAN. At the present time?

Mr. NATHAN. Yes, sir.

Mr. FULTON. Isn't it true that the land which is owned by the Arabs in Israel has gone up very much in value?

Mr. NATHAN. Yes.

Mr. FULTON. And in Israel the productivity of the Arabs there has gone up considerably so that their real wages are much higher?

Mr. NATHAN. Yes, sir.

Mr. FULTON. And the relative standard of living of the Arabs in Israel has therefore improved since the State of Israel has been formed? Is that right?

Mr. NATHAN. Yes. There are studies that have been made—I haven't the precise figures—but they definitely indicate a rise in the income and productivity of the Arabs in Israel.

Mr. FULTON. In countries where the refugee Arabs have moved to, I believe there is now a recognition that these refugees will have to be resettled and those countries are pressing programs of long-time resettlement among their ethnic groups. Is that right?

Mr. NATHAN. That is right.

Mr. FULTON. So that the problem is not being neglected in respect to the Arab refugees, nor is the problem of the Marshall plan development being neglected. Is that right?

Mr. NATHAN. Yes. The amount involved under the present bill for Arab countries is perhaps inadequate under the present circumstances. On the other hand, I want to emphasize that there are countries where you cannot pour resources in quickly.

I am interested in the problem of Burma. I may go there in 3 or 4 weeks. I have been in Indonesia. You cannot take a country that is undeveloped and expect it to be fully developed in 3 or 4

years. You have got to develop know-how in the country in order to utilize modern techniques. We have to make rather large inroads quickly and we should go a little further than may be justified rather than give less.

Mr. JUDD. When we worked on the ECA a balance of payments formula was worked out for determining how much to give them; rather how much to send them, for it was not money but goods. How do you arrive at the \$150,000,000? Is that to be goods?

Mr. NATHAN. It is the basis of net imports above and beyond what they can foresee as being financed from existing and prospective sources.

Mr. JUDD. Is it the same formula?

Mr. NATHAN. Yes; it is the same formula.

Mr. JUDD. What is it mostly, tools, or for housing, or what?

Mr. NATHAN. Yes; a little of it is for housing and some is for raw materials, and some of it is for food. You might ask why is some of it for consumer goods. When you divert a large part of your population to producing capital goods your people have to be fed and therefore imported consumer goods help increase investment outlays.

Mr. JUDD. Have you got some of that money earmarked for tobacco?

Mr. NATHAN. I do not believe there is any in there for tobacco.

Mr. JUDD. You ought to have some in for tobacco if you want maximum support in Congress. A lot of the ECA countries have.

Mr. FULTON. We have friendly countries around the world who can be of help to us in developing the free world. I believe Israel has approximately 100,000 men trained or under arms at the present time in an active force. In addition, Israel has another 100,000 men in a reserve who are fully trained, so that there is a total force of armed men of approximately 200,000 that Israel is supporting, forming its economy, who are in large part nonproductive but nevertheless for our defense. Is that right?

Mr. NATHAN. I do not know the precise figure, but I have read about such figures, and on the basis of what I have read, and on the basis of what I have experienced I think that would be a very reasonable figure.

Mr. JUDD. Ten percent of the population under arms must include most of the men in the country.

Mr. NATHAN. Their ratio of total mobilized forces in 1948 and 1949 was quite out of the ordinary.

Mr. JUDD. They were at war then.

Mr. NATHAN. Yes.

Mr. JUDD. Is there a shortage of employment there?

Mr. NATHAN. There is full employment today.

Mr. JUDD. I mean a shortage of people to work.

Mr. NATHAN. Well, in a sense it is not possible to answer the question outright because a lot of the people are working at what I would call not fully productive activity. You take a man who is good on working at machinery, but he has hand tools to work with. He is employed, but not fully employed.

By and large, there is a reasonable balance in the supply and demand of labor.

Mr. JUDD. It has always been a source of wonder that there are so many Jewish communities in so many places. For example, in

Iraq, is it possible that the Jews there are descendants of the ancient peoples who were taken there at the time of the Exile?

Dr. SCHWARTZ. It is one of the oldest Jewish communities in the world. They are direct descendants of those exiles.

Mr. JUDD. You don't mention Spain. Have there been anti-Semitic pogroms in Spain?

Dr. SCHWARTZ. There have not been any pogroms. The population in Spain, the Jewish population, is insignificant. They had a population of Jewish refugees during the war, but the refugees were there temporarily. The Jewish community in Spain is very tiny.

Mr. JUDD. Franco told some of us one night that one of the reasons his country was not to be compared with Hitler's Nazi state was because the basis of nazism was nordic racial supremacy and persecution of the Jews, whereas Jews had been living in Spain for many centuries, and had not been persecuted.

Chairman RICHARDS. I was in Spain a number of years ago, and we talked to a group of Jews. They told us there was no persecution now.

Dr. SCHWARTZ. There is a Jewish community in Madrid and a Jewish community in Barcelona, both of them very small. They are insignificant in numbers and have not counted very much, politically or economically, in the country, and, therefore, did not come within the purview of the broad picture we are trying to portray here.

Mr. RINICOFF. I would like to ask one question to round off the picture of your statement: Is there to be some comment about the present anti-Semitism behind the iron curtain, including Soviet Russia today?

Dr. SCHWARTZ. We know very little about what happened to the native Jews of Russia during the war except that substantial numbers of them had disappeared and were killed. Some of that was due to the fact that the armies of Hitler occupied a very substantial part of Russia where there were large concentrations of Jewish population.

We do not know very much about what happened to the Jewish communities in Russia, except that we do know there is a great desire on the part of many of them to get out and to leave the country. If Russia ever adopted a policy of permitting people to emigrate I am certain there would be a tremendous flow of Jews from that country toward Israel and toward the west. That, again, has not come within our purview because Russia has consistently adopted a policy of not permitting anybody to leave the country. There is no use at the present time in talking about the emigration of Jews from Russia. They are not permitted to leave.

We do, however, have a substantial body of facts about people in other countries behind the iron curtain. In Rumania, Poland, and Hungary the people have been anti-Semitic, and have been for a long time. Today the Jews are subject to all kinds of discriminations, primarily by reason of the fact that they are looked upon as class enemies and undesirable.

At the present moment thousands of Jews, former middle-class people, are being expelled from the principal cities of Hungary on the basis that they are nonproductive persons, and therefore not desirable in the population and their places are being taken by so-called productive workers. The nonproductive people are being ordered out of their homes and businesses on a 24-hour notice.

In Rumania some of the most prominent Jews have been thrown into jail, and have no right of counsel and no right of habeas corpus, and their families cannot see them. There are about 100 of the most prominent Jews who are in that category.

These are some of the most important factors in this desire for emigration. There are thousands upon thousands of Hungarian Jews who are begging and pleading for the right to leave the country. Up to this time the Hungarian Government has been very strict about the allocation and distribution of passports. In Rumania where the policy of the granting of passports is more liberal, from 7,000 to 8,000 are leaving for Israel each month, and that number could be increased to 15,000 if the shipping were available and if the Government would liberalize its policy.

Mr. JUDD. Did you say this persecution was on a class basis?

Dr. SCHWARTZ. Well, most of these people are middle class.

Mr. JUDD. Do you yourself believe it is on the basis of their being middle class people, or is it anti-Semitic?

Dr. SCHWARTZ. It is difficult to draw the line. The Government says it has nothing to do with religion or race. They say it is purely social, but when you talk to the people at large in the streets you get a different picture.

Mr. JUDD. For the record, what is the national debt of Israel?

Mr. NATHAN. The internal debt of the country is 115,000,000 Israeli pounds, which is about \$300,000,000 in American money.

Mr. JUDD. Total internal direct debt?

Mr. NATHAN. Internal and external. The internal debt is 74,000,000 pounds. The amount of debt payable in American dollars, mostly to the United States Export-Import Bank, was at the end of 1950 37,000,000 pounds. The balance is about 4,000,000 pounds sterling, Swiss, and some other currencies. The total external and internal debt is about 115,000,000 pounds, which, as I said before, is equal to about \$300,000,000.

Mr. VOYTS. The question came up of the cost of the DP's under IRO. I find that for the first year 1947-48 it was supposed to be \$115,000,000, and we put in \$73,500,000, but they only received, all together, they only spent \$75,675,840. There were at that time, according to our committee report, 1,037,404 in the camps, of which 193,332 were Jews.

It would look, figuring roughly as I have, that the cost the first year was about \$75 a head. The second year they collected \$117,000,000, and I presume there was a reduction in the number in the camps the second year, so that it would have gone up from that low figure of only about \$75 a head.

Dr. SCHWARTZ. That probably does not include some of the costs which were borne by the Army rather than by the IRO. Quite a number of costs were borne directly by the United States Army in Germany.

Mr. VOYTS. Not after IRO started. Up to 1947 the Army did bear a great deal of the costs, of course, my figure does not include the very large and substantial charitable support which came from many organizations, including the Jewish Welfare Organization.

Dr. SCHWARTZ. Nor does it include some of the charges made against the German economy.

Mr. FULTON. Nor the amounts put up by individuals. The original expenses were paid by the Resettlement Exchange or by private individuals in many cases.

Chairman RICHARDS. We have one more witness from the American Veterans Committee. He has been waiting patiently.

Mr. JAVITS. What is the maintenance cost of the Israeli armed forces in terms of money, and the gross national product?

Mr. NATHAN. Those figures are not available.

Mr. JAVITS. That cannot be estimated?

Mr. NATHAN. I do not know the basis for an estimate. That is all internally financed, but they never publish their defense cost in the budget.

Mr. JAVITS. We are comparing similar costs for security of the free world and we have received figures like that as to other countries.

Mr. NATHAN. I think you could possibly get it in executive session. I know it is sizable.

Mr. JAVITS. Would you tell us, if you can, to what extent the United States could depend upon the Israeli forces in the event of armed aggression in the Near East?

Mr. NATHAN. I am not a military expert, but I think I know the Israeli people, and I think they are highly individualistic and highly resistant to regimentation and totalitarianism. There is not any doubt in my mind but that the over-whelming orientation is to the west, in the minds of the Israeli people. In spite of the way they felt at the beginning of World War II, when the situation in central Europe was desperate for Jews, when they could have been moved out and the British severely held down Palestines immigration, the Jews joined with the British to fight on the side of the allies. It would be my judgment that we could count on that country 100 percent in the terms of real participation, and they would throw in their forces completely.

During World War II they produced over \$100,000,000 worth of equipment for the British armed forces, including land mines, Jerry cans, and industrial equipment. I do not think the industrial potential is insignificant by any means.

Chairman RICHARDS. Are there any other questions?

Thank you very much. We appreciate your being here. I am sure we will profit by what you told us.

We have one more witness. We have with us tonight Mr. Andrew E. Rice, member of the National Planning Committee of the American Veterans Committee.

Mr. Rice, have you a prepared statement?

Mr. RICE. Yes; Mr. Chairman, I do.

Chairman RICHARDS. It is a very short statement, I see.

Mr. RICE. Yes; I would like to read it.

STATEMENT OF ANDREW E. RICE, MEMBER OF THE NATIONAL PLANNING COMMITTEE OF THE AMERICAN VETERANS COMMITTEE

Mr. RICE. Before I read my statement, I would like to say this: Unlike the other witnesses, I am not an expert in total world diplomacy. I represent the general citizenry who has strong feelings on the general picture of our foreign policy without reference to any

single part of it, and I think the opportunity to testify here is one example of the sort of thing that could not happen in a totalitarian country, and the sort of thing which I, and my organization, appreciate very much.

My name is Andrew E. Rice. I am a member of the National Planning Committee of the American Veterans Committee, an organization of World War II and Korean War veterans. AVC is grateful for this opportunity to appear before the Foreign Affairs Committee to present its views on the Mutual Security Program.

AVC wholeheartedly endorses the broad outlines of the Mutual Security Program. The basic principle of this program is expressed in its title—the concept that the security of the free world is dependent upon the cooperation of all its members. AVC from the beginning has rejected the “go it alone” thesis advocated by General MacArthur; as veterans who fought side by side with our allies in the Second World War and who are again fighting side by side in Korea, we know the value of teamwork. Collective security is the only possible answer to the world-wide threat of Communist aggression.

Because we support the principle of mutual action, we support also the strengthening of the military and economic might of our allies in Western Europe. AVC'ers can testify from personal experience that Europe is easier to defend than to liberate. But I should like to add one word of warning, and that is that in our plans for the common defense of Western Europe, we must never forget that the system we are defending is the democratic way of life. The people of Western Europe, who have suffered the terrible destructiveness of two world wars within a single generation, must have faith that they are defending a philosophy that really means what it says. AVC believes that to include Spain in the North Atlantic Pact and the Mutual Defense Assistance Program would seriously undermine the confidence of our allies in our firm devotion to the democratic system and would offer ready-made and effective propaganda to the Communists. Moreover, the recent civil disturbances and strikes in Spain raise serious doubt as to the reliability and effectiveness of Franco's armies.

Europe must remain the focus of our plans for military security. Elsewhere in the world military aid can help to build a strong shield of protection. But even more important in these less developed areas is the strengthening of the economic fabric which underlies a healthy society. Part of our economic aid in Asia, the Middle East, and Latin America, will be rightly directed to developing the sinews of effective armed defense: strategic raw materials, adequate transportation facilities, and the like. But an equally important part will—and must—be aimed at a general raising of the living standards of the people.

This concept—that the wealthy nations of the world should provide their technical and economic services to help the poorer countries increase their productivity to provide better conditions of life for their people—is known today as Point 4. Although the proposed program clearly recognizes the value of this aspect of our foreign aid, AVC believes that it fails to make the promise of Point 4 a vivid and convincing one to the nearly 2 billion people who live in the underdeveloped areas. It is vitally important to remember that whereas we may hope that within a few years the total mobilized strength of the free world may be great enough to discourage armed aggression

and permit us to taper off all the military end-item and related programs, the Point 4 concept is a long-range one. Standards of living cannot be raised overnight; it is a slow, difficult process. The aspirations of the people of the new nations of south and southeast Asia, however, are burning ones, and if we fail to set our sights for the long pull they will become disillusioned and bitter.

One basic consideration must not be overlooked: It is the confidence and loyalty of the people which we must seek. Governments, many of them still inexperienced with democratic forms and processes, may come and go and their support is utterly meaningless if the democratic way of life has not also succeeded in fulfilling the hopes of the people. AVC believes that it is unfortunate that the President in his message did not give a ringing affirmation of the Point 4 idea. In the battle for the minds and hearts of men, the promise of Point 4 is perhaps our greatest weapon. I hope the committee, in presenting its report, will emphasize its faith in the expanding opportunity for progress which Point 4 offers.

One further point should be made. I have already spoken of the significance of the principle of mutual aid. This principle is now well-established in our military and economic programs in Europe. For the underdeveloped areas of the world, however, the United States has been grudging in its support of the multilateral approach. For the 1952 fiscal year, for example, exactly the same amount is proposed for the United Nations Technical Assistance Program as in 1951—a paltry \$12,000,000. No consideration whatsoever appears to have been given by the President to the recommendations of his own International Development Advisory Board, headed by Nelson Rockefeller. The Rockefeller report outlines a comprehensive program for international financing of development projects. Here is an imaginative, yet practical plan. Congress should take steps soon to translate the Rockefeller recommendations into law.

Finally, it is never inappropriate to recall that, just as our military, economic, and technical aid programs abroad should be closely linked for effective action, so are domestic happenings in the United States closely linked with the success of our policy abroad. It is a bitter fact but there can be little doubt that the tragic race riot in Cicero, Ill., recently, for example, will be a potent weapon in the unceasing war of ideologies which the Communists are waging against us. Our actions at home must live up to the brave promises of freedom and justice we make abroad. The United States cannot afford to be the weakest link in its own world wide mutual security program.

Chairman RICHARDS. Thank you, Mr. Rice.

Are there any questions?

Mr. Judd. Mr. Rice, did you protest when we sent aid to Russia during the war against Hitler?

Mr. Rice. No; we were not in existence at that time.

Mr. Judd. Would you have protested if you had been in existence?

Mr. Rice. No; because they were an ally in a great war against a common enemy.

Mr. Judd. Do you think there is more democracy in Russia than in Spain?

Mr. Rice. Certainly not.

Mr. Judd. But you put it on the basis that Spain is undemocratic?

Mr. Rice. Yes.

Mr. JUDD. And that the Mutual Defense Assistance Program would seriously undermine the confidence of our allies in our firm devotion to the democratic system. Yet you favor aid to Tito. I am in favor of suitable aid to both of them for the same reason. Tito and Franco are of no threat to the United States and insofar as they oppose Russia which is a threat, they are valuable to the United States, and I think you can do more to improve conditions in the countries by trying to work with them than by quarantining them.

Mr. FULTON. Do you think it would be advisable to apply some conditions to the aid?

Mr. RICE. I know it has been done. In the Philippines some very stringent conditions were attached before aid was given. It is different in Spain. Spain does not make a pretense of representing itself as a democratic country.

Mr. FULTON. I went to Spain in January and was considerably surprised by the amount of freedom of speech. Most of the people in the streets stated that Franco's regime was greatly limited. In your statement you say:

Moreover, the recent civil disturbances and strikes in Spain raise serious doubt as to the reliability and effectiveness of Franco's armies.

That statement, to me, raises considerable doubt as to whether Franco's type regime is lasting and permanent. It is one of the best evidences why we should be helping, because you said on the other side that it is the confidence of the people we should seek in these countries.

I was in Barcelona when the United States Navy arrived, and we were never so well received as American citizens. There was not a Communist demonstration against the men in the fleet, or the fleet itself. In fact, I have changed my mind completely about the present problem of Spain now after having been there, and after going to the University of Madrid and having been given an opportunity to discuss the democratic system, and how it works in this country.

Don't you think it is possible by this aid and by our example to help them move further toward liberties and human rights? Maybe we should not quarantine them.

Mr. RICE. The danger is we will strengthen a regime which has already lost the confidence of the people, as you have indicated.

Mr. JUDD. As you improve the condition of the people the pressures for greater freedoms within the country become irresistible. My experience is that spreads the ideas and improves the conditions for the people, and then no genuinely Spanish Government—and whatever Franco's government is, it is a Spanish Government as against a foreign country—and no genuinely Spanish Government can long resist those pressures which I mentioned.

Mr. RICE. Much of our aid to the Marshall plan countries has not reached the people.

Mr. JUDD. The people of Greece were not much better off than in 1947, but their country is free, and if it is free they get a chance to strengthen their Government. If it had not been given to them in the first few years after the war there wouldn't be as much chance to improve themselves.

Mr. FULTON. The Marshall plan was originally based on capital items, and the people do not consume power plants. The rise in consumption level comes later. There is a necessary delay. The

United States first put in emergency relief needs, and then we later fill in an increasingly greater percentage with the capital items. The level-of-living rise must come necessarily as the individual economies produce.

Mr. RICE. Greece was in the throes of civil war within its own borders. That is not the situation in Spain. They are not quite similar.

Mr. JUDD. If you get to the people with the ideas, even if you have to do it under a bad government, that is the best way to do it rather than sitting on the side and throwing brickbats at them.

You said you reject the "go it alone" policy of General MacArthur. He said there are situations where if the other allies don't we must go it alone.

The Secretary of State recently made a reference to the United Nations and what would happen if the United Nations should decide to withdraw. Do you think we should withdraw troops and go it alone?

Chairman RICHARDS. I disagree with you that the United Nations wants to withdraw our troops from Korea.

Mr. JUDD. I did not say that. I said suppose the United Nations would decide it would be better to pull out. I would favor going it alone under those circumstances.

Chairman RICHARDS. Thank you very much, Mr. Rice.

Mr. FULTON. We thank the witness for his fine statement and good presentation.

Mr. JAVITS. I want to join in that expression of appreciation to the witness for his statement.

Chairman RICHARDS. The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11:01 p. m., the committee adjourned until Friday, July 20, 1951, at 10 a. m.)

THE MUTUAL SECURITY PROGRAM

FRIDAY, JULY 20, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., the Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please. We will continue hearings on the Mutual Security Program legislation. Our first witness this morning is Gen. S. L. Scott. General, will you tell us what your job is and what you do?

STATEMENT OF GEN. S. L. SCOTT, DIRECTOR, MILITARY ASSISTANCE, DEPARTMENT OF DEFENSE

General SCOTT. I am Director of Military Assistance in the Office of the Secretary of Defense.

Chairman RICHARDS. What is your function?

General SCOTT. I am in charge of the coordination of the Mutual Defense Assistance Program for the Secretary of Defense.

Chairman RICHARDS. Will you proceed, General? Do you have a prepared statement?

General SCOTT. No, sir. I would prefer to take up several points which I think the committee is very much interested in.

Chairman RICHARDS. Would you rather complete your point before questions are asked, or would you mind being interrupted along the way? It is all right whichever way you want to do it.

General SCOTT. I have no objection to being interrupted. The elements divide themselves into parts so that you will find that the questions come after each part.

Chairman RICHARDS. Suppose we ask the questions after each point as it is presented.

General SCOTT. This morning I would like to cover the following points: First, the ceiling of \$100 million on the outstanding contractual authority under reimbursable aid (sec. 408e) provisions of the act; second, the ceiling placed upon excess limitations; third, the criteria and the basis for our programs, how they are developed; fourth, our obligations; fifth, deliveries; and sixth, the country set-up for programs and how it is broken down.

Taking the first point, the question of the ceiling on the outstanding contracts that is available for reimbursable aid; as you know, the present legislation limits that—

Chairman RICHARDS. What kind of contracts?

General Scott. Reimbursable contracts under 408 (c). The present limitation, \$100 million, which was included in the 1950 MDAP Act, is definitely limiting our operation and especially affecting the sales to Canada. They are modernizing their army; they are adopting American standards. As a result of that policy they need a lot of equipment from us and are willing and able to buy it.

Of the present \$100 million ceiling, 98 percent has been used, leaving \$2 million. \$81 million of the \$98 million is in connection with our operation in Canada.

(Discussion off the record.)

Mr. Rinehoff. I think any restriction as to what we should do with Canada would be shortsighted, because, if we have one friend it is Canada, and we should allow them to strengthen their forces at their expense rather than ours.

General Scott. That is why we are raising it. It does restrict Canada in buying materials for war.

We think that the proposed \$500 million ceiling will meet the requirements of Canada and other nations desiring to purchase war materials.

Are there any questions on that?

Chairman Richards. Are there any questions on that point?

Mr. Mansfield. Are there other countries besides Canada?

General Scott. There are around 47 countries throughout the world that are buying from us, but in most cases the amounts are small and contractual authority for lead-time items is not involved.

Mr. Mansfield. There are 47 countries that you can work with on a reimbursable basis under 408 (c), just as you can with Canada?

General Scott. Forty-seven countries have made application for reimbursable aid throughout the world.

(Discussion off the record.)

General Scott. Practically all of it is for Canada. The rest is in small amounts. I can give you the figures if you want them.

Chairman Richards. Do you not think we ought to have those figures in the record?

Mr. Smith. I think so.

Chairman Richards. So do I.

General Scott. I can give you the countries to whom we are making available reimbursable aid and the amounts.

Chairman Richards. You would not want to put that on the open record; is that correct?

General Scott. That is true.

Mr. Vorys. Is that information about Canada classified?

General Scott. What they propose to do I do not think has been released. I do not think it should be released.

Chairman Richards. You will furnish that information to the members of the committee?

General Scott. Yes, sir.

Chairman Richards. Which will take in all of these countries.

Mr. Vorys. Generally, is it South American countries?

General Scott. There are many South American countries included.

Mr. Vorys. We hope they buy instead of getting it for free.

Mr. Eaton. What was your hope based on—experience?

Mr. Vorys. Just hope.

Mr. Eaton. Or imagination?

Mr. SMITH. Not experience.

General SCOTT. I can read the countries if you want them Argentina, Australia, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, El Salvador, France, Indochina, Haiti, Honduras, India, Italy, Korea, Malaya, Mexico, National China, Netherlands, Norway, Pakistan, Paraguay, Peru, Philippines, Portugal, Saudi Arabia, Thailand, Union of South Africa, United Kingdom, Uruguay, and Venezuela.

Mr. EATON. What basis do you place the eligibility on?

General SCOTT. Under the act, we are not permitted to make equipment available to any country unless their own self-defense, or defense of the area is important to the security of United States.

Mr. VORYS. That must be mostly chicken feed, odds and ends. What is it in general for the end items that they need? Can you give us a general description of that, the \$9 million worth?

General SCOTT. It is largely for South America. It is for the equipment which is made available to them from our surpluses.

Mr. VORYS. What would a country like Denmark want with that, or Iceland?

General SCOTT. Denmark is very small. The amount is only \$600. Iceland has around \$15,000, consisting of some radio tubes urgently required for a radar navigation station, and not available except from service stocks.

I want to make clear that this list of countries that I just gave you includes countries whose eligibility has not been determined. It includes countries which have made application for reimbursable aid, but not funded. In other countries the amounts have been funded.

Mr. SMITH. General, to what extent is Canada swinging into the defense business?

General SCOTT. We think they are doing very well.

Mr. SMITH. What percentage of their industry is getting into defense work only?

General SCOTT. I do not know.

Mr. SMITH. I think that is important.

General SCOTT. The percent of the total effort?

Mr. SMITH. Yes.

General SCOTT. I cannot answer the question.

Chairman RICHARDS. Are there any other questions on this point?

Mr. SMITH. Do you know what Canada's program is in the defense field, the gross total? How much are they spending for rearmament?

General SCOTT. Their defense budget?

Mr. SMITH. That is right.

General SCOTT. We have that.

Mr. VORYS. Does that come up later? I thought, from the way you have set it up, that you are going to give us what the various countries are doing.

Mr. SMITH. I think the point Mr. Vorys is making relates to some material that you will be covering later on. He is thinking of continuity; are you not?

Mr. VORYS. If you are going to give us all of that—

Mr. SMITH. I do not think we should take too much time on that.

General SCOTT. We can give you the Canadian budget and also the amount of deduction. We could give you that for the record.

(The information requested is as follows.)

DEPARTMENT OF DEFENSE,
Washington, D. C., July 24, 1951.

HON. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: During my testimony on July 20, 1951, Mr. Smith asked for information concerning Canada's defense program. In my opinion, Canada is making a very substantial contribution to the collective security of the Western World. In this connection, I am sure that the members of the committee are aware of the fact that Canada has never accepted any grant aid from the United States. During the Second World War Canada paid in full for all the matériel obtained from the United States and did not accept anything on a nonreimbursable lend-lease basis. Canada also made substantial contributions to the United Kingdom, in addition to supporting her own armed forces. The Canadian Government is following the same policy today. A brief statement concerning the Canadian defense effort is enclosed.

I would also like to take this opportunity to submit for the record an additional statement concerning the proposed technical amendment to the law increasing the revolving fund for contract authority for reimbursable sales from \$100 million to \$500 million.

Mr. Vorys and Mr. Roosevelt asked for more specific information concerning the types of matériel that make up the Defense Department estimate that an additional \$450 million worth of excess matériel will become available for use in the MDA program. I am enclosing a statement on this matter, and have included explanatory information pointing out that the amendment to the law will not of itself produce any additional excess matériel. The amendment we are recommending will merely permit the use of this matériel for MDAP rather than disposing of it as scrap.

It would be appreciated if this letter and attachments were made a part of the record.

Sincerely yours,

S. L. SCOTT,
Major General, United States Army,
Director, Office of Military Assistance.

CANADIAN DEFENSE EFFORT

Canada is making a very substantial contribution to the collective security of the western world. The Canadian Government plans a total expenditure of over \$5 billion for defense during the next 3 years, which includes approximately \$1 billion for mutual aid to other NATO countries.

Expenditures for defense and mutual aid during fiscal years 1951-52 will be approximately \$1.6 billion, an increase of 90 percent over the \$724 million expended during the previous fiscal year.

Canada in the present fiscal year will devote approximately 8.1 percent of the gross national product to defense. Approximately 45 percent of the Canadian Government's budget will be for defense.

AMENDMENT OF SECTION 408 (E) OF THE MDAA

(Public Law 329 as amended by Public Law 621)

1. Procurement assistance to foreign countries on a reimbursable basis is authorized by section 408 (e) of the MDAA as amended. Terms of sale require full payment before delivery. Prices charged are gross costs to the United States, or in the case of excess matériel not less than fair value as defined in the act plus the cost of repair and rehabilitation. Attached tab A lists for the information of the committee the major items and categories of items which have been or are being sold under the provisions of this section of the law.

2. This wise provision of the law has been of great benefit to the mutual security program in that:

(a) Allies with dollar resources, notably Canada, can build up their own defensive capabilities at their own expense, without cost to the United States taxpayer.

(b) Contracts let in the United States for production of items for sale to our allies increase our own mobilization base.

3. The United States makes no advance payments to contractors on behalf of the foreign purchaser. Before an item is delivered, funds from the foreign government for which the procurement is undertaken must be in hand.

4. Recognizing that, in the case of long lead time items, requirement for full payment in advance would tie up substantial dollar assets of foreign customers for a long time, Congress authorized the use of contract authority for this purpose up to a limit of \$100 million. Upon receipt of a firm order accompanied by a dependable undertaking to pay when called on, the military departments may enter into procurement contracts on behalf of foreign purchasers, provided the outstanding amount of such contracts at any one time does not exceed \$100 million. It is a revolving contractual authority fund. As prior contracts are liquidated by payment by the purchaser, additional contracts may be entered into.

5. Orders or inquiries have been received from countries listed on tab B. Firm orders have been accepted, and payment made, or a dependable undertaking accepted under the contract authority provision for a total of \$175 million of which \$98 million is presently outstanding as contract authority.

6. There are only three cases in which it has so far been necessary to use the contract authority provision, and Canada, with \$81 million now outstanding represents the major part of this.

7. The outstanding amount is now being liquidated at the rate of about \$2 million per month, and as production and deliveries increase the rate of liquidation will increase. It is expected to reach \$4 million by September.

8. The Canadian Government alone has indicated that it expects to place orders within the next fiscal year for long lead time items, mostly aircraft, amounting to almost the entire additional amount requested. Under the present limitation it is impossible to accept these orders (unless Canada makes full payment in advance) and phase the procurement for Canada into our own production schedules. Therefore, in order to avoid delays in provision of aircraft and aeronautical matériel and tanks which it is essential that Canada procure from the United States, the ceiling on outstanding contracts under section 408 (e) (2) (b) should be raised to \$500 million. Approval of the increase is necessary in order to avoid putting Canada, which is paying for matériel obtained from the United States at a disadvantage compared with other countries which are obtaining similar matériel as grant aid.

CATEGORIES AND TYPES OF MATÉRIEL (AUTHORIZED AND CONTEMPLATED TRANSACTIONS)

Vessels:

Patrol crash boats, patrol frigates, destroyer escorts, cruisers (light).

Vessel equipment of all types (including electronics): Naval guns, naval aircraft (P2V-5) and spare parts.

Aircraft:

GFP for F-86 planes, F-51 mustang fighters, T-6 trainers, T-33 trainers, B-26 Douglas bombers, B-17 Boeing bombers, aircraft spares for several types.

Road construction machinery (scrapers, air compressors, tractors)

Engineer shop equipment.

Engineer supplies and spare parts.

Radios and radar equipment.

Clothing, gas masks, field ranges, miscellaneous quartermaster supplies, subsistence.

Medical equipment and supplies.

Armored cars and medium tanks.

Motor transport vehicles.

Small arms and machine guns.

Artillery and fire-control equipment.

Small arms and machine gun ammunition.

Artillery ammunition.

Bombs, rockets, and miscellaneous ammunition.

Miscellaneous: Sand bags, tools and tool sets, plans and specifications, publications, instruction manuals, films and film strips.

COUNTRIES FROM WHICH ORDERS OR INQUIRIES HAVE BEEN RECEIVED FOR REIMBURSABLE AID

Argentina	El Salvador	Pakistan
Australia	France	Paraguay
Belgium	French Indochina	Peru
Bolivia	Haiti	Philippines
Brasil	Honduras	Portugal
Canada	Iceland	Saudi Arabia
Ceylon, withdrawn	India	Sweden, withdrawn
Chile	Italy	Thailand
Colombia	Korea	Turkey, withdrawn
Costa Rica	Malaya	Union of South Africa
Cuba	Mexico	United Kingdom
Denmark	Nationalist China	Uruguay
Dominican Republic	Netherlands	Venezuela
Ecuador	Norway	

The following additional countries are eligible for reimbursable aid, but have not submitted specific requests for such aid:

Burma	Nicaragua	Iran
Greece	Panama	New Zealand
Luxemburg	Indonesia	

AMENDMENT INCREASING LIMITATION ON TRANSFER OF EXCESS BY \$450 MILLION

1. The Mutual Defense Assistance Act of 1949 (Public Law 329, 81st Cong.) defines "excess" as meaning the quantity of equipment or materials owned by the United States which is in excess of the mobilization reserve of such equipment and materials. Mobilization reserve means the quantity of such equipment or materials determined by the Secretary of Defense under regulations prescribed by the President to be required to support mobilization of the Armed Forces of the United States in the event of war or national emergency until such time as adequate additional quantities of such equipment or materials can be procured.

2. The act limited the worth of such excess equipment and material to be transferred under this act, and under the Greek and Turkish Aid Act of 1947 (Public Law 75) to \$450 million. Public Law 621, approved on July 28, 1950, authorized an additional \$250 million worth of excess equipment, thereby increasing the ceiling to \$700 million.

3. As of May 31, 1951, \$635 million of existing excess material had been scheduled for delivery under this authority. Of this amount, \$423 million had been delivered. Attached tab A shows the acquisition cost, by major categories, of the material delivered to date.

4. The authority for the transfer of excess equipment has permitted disposition to friendly nations of substantial quantities of some types of material not needed for United States Forces, but valuable in building up the strength of the combat forces of the free world. About 67 percent of the material planned for transfer under this authority is being furnished as grant aid, and will be without charge to the appropriation except for the cost of repair and rehabilitation. The remaining portion of the excess material will be transferred as reimbursable assistance under the provisions of section 408 (e) of the act, in which case the recipient country reimburses the United States for the cost of repair and rehabilitation plus the fair value, before rehabilitation, of the material. In no case is this fair value less than 10 percent of the original acquisition cost of the material.

5. In view of the fact that the authorized ceiling of \$700 million has nearly been reached, the proposed legislation includes an amendment increasing the limit by \$450 million to a grand total of \$1,150 million. Presently planned programs will substantially exhaust current excess stocks of the military departments. Generation of excess, however, is a continuing process. As new and improved weapons and other items of military equipment are developed and delivered, the military departments are able to release some of the older material as excess. It is impossible to forecast exactly the amount and nature of excesses that may be generated in the future. Attached tab B is the best estimate presently available of the nature and amount of additional excess material.

6. The material deficiencies are met through a combination of indigenous effort, United States grant aid from appropriated funds and available excess stocks. Unless the present limit of \$700 million is increased as recommended in the proposed legislation, it will be impossible to fully meet the material requirements

without increasing appropriated funds. Without such authority the United States cannot make effective use for MDAP of the excess material generated, and, further, the military departments would eventually have to dispose of such excesses, resulting in a net loss to the military potential of the free world.

7. The law very clearly and specifically defines the term "excess" for this purpose. The military departments make the determination of excess in accordance with this definition. The proposed amendment to the act will not, of itself, generate any additional excess, but will permit the Department of Defense to apply any excess that may be generated to the mutual defense assistance program. In the absence of the proposed increase in the authority to transfer excess material, such excesses would have to be disposed of as scrap in accordance with the provisions of other laws.

Acquisition cost of major categories of excess materiel transferred

Vessels.....	\$198, 574, 528	Medical.....	\$96, 570
Vessel equipment.....	1, 420, 629	Chemical and transpor-	
Aircraft.....	90, 204, 034	tation.....	177, 900
Signal.....	726, 109	Public Law 75.....	1, 695, 752
Ordnance.....	130, 193, 422		
Engineer.....	205, 503	Total.....	423, 477, 867
Quartermaster.....	183, 420		

Proposed additional excess authorization

(In thousands of dollars)

Vessels and vessel equipment.....	212, 000
Aircraft, spare parts.....	161, 000
Ordnance.....	72, 500
Tanks and combat vehicles.....	50, 500
Artillery and fire control.....	17, 800
Motor transport vehicles.....	1, 000
Other.....	3, 200
Signal.....	1, 500
Total.....	450, 000

Chairman RICHARDS. General, before you go on, may I make a statement? Some of the members came in a little late. The matter now under discussion is reimbursable aid. Will you give us the citation?

General SCOTT. Paragraph 408 (c) of the act.

Chairman RICHARDS. I want to refer to the act. Page 10, the third paragraph, states, "The President may, from time to time, in the interest of achieving standardization of military equipment and in order to provide procurement assistance without cost to the United States, transfer, or enter into contracts for the procurement for transfer of, equipment, materials, or services," and so forth. That is what the General is talking about. A few of the members came in a little late, and I wanted to have that in the record.

General SCOTT. It should be recognized that the \$100 million is really in the form of a revolving fund.

Mr. VORYS. Have you spent more than the 100?

General SCOTT. Yes, sir. If an article is delivered off the shelf, for instance, and they pay for it immediately, the revolving fund is not involved. For a long-lead item—

Mr. VORYS. How much have you procured all together? You said there was 98 used, I thought.

General SCOTT. Of this contract authority.

Mr. VORYS. Yes. I had forgotten it was reimbursable, that is, that it was revolving. And you said that 98 out of the 100 had been used, 81 to Canada?

General SCOTT. That is right.

Mr. VORYS. Is the total procurement more than 100?

General SCOTT. Yes.

Mr. VORYS. How much is it?

General SCOTT. The last report I have indicates that the total of about 175 million has been funded.

Mr. VORYS. That means paid for?

General SCOTT. Part of it has been paid for, and part of it is outstanding in the form of contract authority.

Mr. VORYS. What do mean by "funded"? That is a new word, in this connection.

General SCOTT. That the countries have either paid cash, or submitted a satisfactory "dependable understanding" as required by the act.

Mr. VORYS. Then you must mean that 77 million has been paid for—

Chairman RICHARDS. And the other is in process of payment?

Mr. VORYS. Yes. If you want a new limit of \$500 million outstanding, how much is the total?

General SCOTT. That depends on the application made by the countries. It is pretty hard to project that into the future.

Mr. VORYS. At that rate it could run pretty nearly a billion of procurement, that is, if that percentage were projected. If you have procured \$175 million against a \$100 million limitation on the outstanding contracts, do you think it is going to go along like that?

General SCOTT. I do not think it will rise much higher than that for items other than long-lead items, which require this financing under the \$100 million limitation.

In other words, the \$500 million will cover all aspects of that type of requirement, because we are liquidating right now at the rate of about \$2 million a month in this revolving fund.

Two million dollars a month is liquidated or twenty-four million dollars a year. That will probably be stepped up to about double that, about \$4 million a month, which would be around \$50 million a year.

Mr. ROOSEVELT. Will the gentleman yield?

Mr. VORYS. Yes.

Mr. ROOSEVELT. How many applications have you now got outstanding which would lead you to believe that \$500 million would take care of it?

General SCOTT. I think there is sufficient slack there so that the service estimates will take care of that.

Mr. ROOSEVELT. Do you have a lot of outstanding applications now which you cannot handle because of the \$100 million? Is that the problem?

General SCOTT. We could get along with \$100 million if Canada did not enter the picture. That is basically the question.

Mr. VORYS. \$390 million is for Canada.

Mr. ROOSEVELT. Thank you.

General SCOTT. We would not require this change in ceiling except for Canada.

Mr. VORYS. Would you contemplate a possible impact there of \$500 million, plus 5 times 75, \$375 million, which would be \$875 million on your military production within the next year? Or would you contemplate the impact of \$500 million?

General Scott. I would count on an impact from Canada—

Mr. VORYS. Of \$390 million?

General Scott. Say \$400 million, if this program materializes, plus, roughly, I would say, not over \$100 million for other countries; between \$500 million and \$600 million at the present estimate.

If there are no other questions on that subject—

Chairman RICHARDS. Restate your next point.

General Scott. The next question is the subject of excess limitations which are prescribed in the act. The authority to transfer excess property, including excess transferred under the Greek-Turkish Aid Act (Public Law 75) was limited to \$450 million. In Public Law 621, approved July 26, 1950, \$250 million more was added. So that under present legislation the excess limit is \$700 million.

Mr. ROOSEVELT (presiding). 408 (d)?

General Scott. Section 504 of the proposed act.

Mr. REECE. May I ask what provision the General is referring to?

General Scott. Of the new act? Section 504 of the present proposed act.

Mr. VORYS. Could I say this for Mr. Reece and the other new members. We had long, drawn out arguments about the pricing, and so forth, of excess equipment.

You will find in 403 (c) some definitions that were sweated over at great length, and apparently that formula is still satisfactory. Is that right?

General Scott. Yes.

Mr. VORYS. We did not want them to buy stuff and then have them say, "We don't need it," and let to go for a song.

We were fearful that the limitations we put on it—

Mr. REECE. I see it now.

Mr. VORYS. That is what this is about.

General Scott. We have now, as I have stated, a \$700 million ceiling under those two acts. There was no request made to increase the ceiling when the supplemental appropriation bill was up for consideration last year. So we still have the same limitation of \$700 million.

Of the \$700 million, \$635 million has been programed, either under 408 (c) or in our grant aid program. I would say in general that two-thirds went into grant aid and one-third into 408 (c).

Of the \$635 million, \$423 million has been delivered. We are requesting in the proposed legislation that the ceiling be increased by \$450 million. So that our new total will be \$1,150,000,000.

We feel as time goes on we will continue to generate excesses, as we always have, and if we can properly use these excesses in connection with our programs it will cut down the over-all cost to the United States.

In other words, we feel it is better to use the excesses than to dispose of them under other arrangements or by other means.

Mr. VORYS. What is the latest date of manufacture in the items that we are declaring in excess?

General Scott. I do not think you can state a date. It depends on whether it is obsolete or not.

Mr. VORYS. That is what I am trying to find out.

General Scott. I do not think you can establish a date.

Mr. VORYS. I would like to know where you have a possibility of \$400 million worth of stuff that would come within the excess definition.

General SCOTT. I would say about half of it is programed and half of it is not. As you know, it affects our reimbursable aid ceilings very substantially. Of course, this is only the equipment which would be normally declared surplus or excess to our own requirements.

I might read the definition of excess: The Mutual Defense Assistance Act of 1949, Public Law 329, defines excess as meaning "the quantity of equipment or materials owned by the United States which is in excess of the mobilization reserve of such equipment and material. Mobilization reserve means the quantity of such equipment or materials determined by the Secretary of Defense under regulations prescribed by the President to be required to support mobilization of the Armed Forces of the United States in the case of attack or national emergency until such time as additional quantities of such equipment or materials can be produced."

Mr. VORYS. That is what I want to find out. You delivered \$423 worth. I would like to find out where you have got kicking around any \$700 million worth of equipment that is excess to our mobilization requirements, because I thought we were pretty thoroughly mobilized, and were short of equipment. At least, we tried to mobilize for Korea and the fellows were shy of all kinds of things over there.

General SCOTT. As you notice, there was six-hundred-and-thirty-odd-million dollars' worth of this amount already programed, of which only some \$400 million has been delivered.

That means that the ceiling under the present law has almost been reached. We would be stopped in our efforts to make much more available under 408 (e). Lend-lease vessels took up a good part of the \$630 million. Let me give you the categories of those delivered items, if I have it here.

Of the \$423 million worth of equipment transferred, \$198 million was in vessels, \$130 million in ordnance, \$90 million in aircraft, and just miscellaneous items in other types of equipment.

Mr. ROOSEVELT (presiding). Were those naval vessels or merchant marine?

General SCOTT. Naval vessels.

Mr. ROOSEVELT (presiding). What types of craft?

General SCOTT. Destroyer escorts, principally.

Mr. ROOSEVELT (presiding). Two cruisers to Brazil?

General SCOTT. Yes. One submarine, I believe; one aircraft carrier.

Mr. ROOSEVELT (presiding). Have you any programing of the anticipated excess? I think that is what Mr. Vorys is really worried about; how we are going to find enough excess to justify the additional amount of money appropriated.

General SCOTT. If we do not have the excesses, we will not use the authority.

Mr. ROOSEVELT (presiding). If you have the money, there is always a tendency to declare excesses.

Mr. VORYS. You have your request of \$450 million additional, raising it to \$1,150 million. Four hundred of that has been delivered. How much do you say there is for ordnance?

General SCOTT. Delivered?

Mr. VORYS. Yes.

General SCOTT. \$130 million.

Mr. VORYS. I just wonder where you think you are going to have five, six or seven hundred million dollars of military equipment that we can transfer without detriment to the national security of the United States, and that is not needed by the Reserve components of the Armed Forces to meet training requirements.

General SCOTT. Well, you will find a lot of this equipment is equipment which is no longer needed by our own forces. Artillery is one classification. Propeller aircraft is another. There may be some ships in the future programs.

Mr. ROOSEVELT (presiding). Does that mean all the Reserve Air Force are completely equipped today? I get reports that our Air Force and Naval Reserve units have a terrible time to get enough equipment to get in their flying hours.

General SCOTT. We will not release the equipment until it is declared excess to our requirements under the definition which I just gave you.

Mr. ROOSEVELT (presiding). Once we have given you the money, it is out of our hands. What we are trying to find out is how can you give us the assurances that that amount of money value is going to become really an excess.

I think that is what is really worrying some of us.

Mr. CARNAHAN. What is the process of declaring it surplus? Who declares it excess?

Mr. VORYS. This is the law [reading]:

That no equipment or materials may be transferred out of military stocks if the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such transfer would be detrimental to the national security of the United States or is needed by the Reserve components of the Armed Forces to meet their training requirements.

When it is declared so to be excess it has a special price on it, a special value put on it, and it goes cheaper or it goes for free, is that not correct?

General SCOTT. It flows two ways. It flows into the grant aid program or into the 408 (e) program.

Mr. VORYS. Reimbursable aid?

General SCOTT. Yes. If it flows in the grant-aid program, the only thing that is chargeable to the program is the rehabilitation cost, packing, handling, crating, and shipping costs.

If it goes into the 408 (e) program, then according to the requirements of the law we must charge it either as scrap value, market value, or 10 percent of the acquisition cost, whichever is the larger.

Mr. VORYS. What it means, though, is that it is an addition to the total authorization. It is an addition which is justified. I am trying to find out what is the prospective stuff that is going to be justified as excess in the coming year so that it should be included in this bill.

I cannot think of any propeller-driven aircraft that could be available because of the things you mentioned, Mr. Roosevelt. I do not think that the Reserves have all they need. At least, they are "holering" for more; possibly it is true with ships.

As a layman, I cannot think of any ordnance or pretty nearly anything else that could be declared excess in the coming year in any such amount.

Mr. ROOSEVELT (presiding). Maybo, General, this could be cleared up a bit if we had an idea of the process that goes on in the Department of Defense in arriving at how this is brought up to the Secretary of Defense and the Joint Chiefs of Staff.

How does item A become excess? Does the unit commander say, "We don't like this thing any more"?

General SCOTT. No.

Mr. ROOSEVELT (presiding). How does it work? I know it is not that simple.

General SCOTT. It is processed by each service. The basic criteria are established by the statement I just made. It must be excess to our mobilization requirements.

The item is developed in the services through obsolescence or excesses. There are very few of those right now. It goes to each of the Government departments to see if they can use that item, before a final determination is made that it is excess to the requirements of the Government. It is a very comprehensive procedure.

Mr. VORYS. I suppose part of those 97 million can openers that we have read about will be excess?

General SCOTT. I am not familiar with your can openers.

STATEMENT OF COL. H. C. BURGESS, CHIEF, FOREIGN MILITARY AID BRANCH, SUPPLY DIVISION, G-4, UNITED STATES ARMY

Colonel BURGESS. Would you like to have something on the type of things that are involved?

I am Colonel Burgess. I have charge of the Foreign Aid Branch, G-4, Department of the Army.

The excess items that we are now using, both grant aid and reimbursable, are such things as the 1903 rifle.

To answer your question, Mr. Vorys, we go way back to 1903. Some of our bayonets and things go back to the Spanish War. It is items we have on hand that anyone would have a use for. Someone might like a nice sharp bayonet. They are all good. We want to sell them and get some revenue from them.

Another item would be the M5A1 tank, which is a tank with a 37-millimeter gun on it. We no longer use that, and it has no use in our training. It bears no relation to an M40 or M47.

Another item would be the Thompson submachine gun, caliber .45, which no longer has any use. There is a 57-millimeter ground gun. Some of you may remember that. It was used by the infantry during World War II. That is no longer needed. The 57 recoilless has taken its place.

It is items of that type and items generated by the receipt of new weapons that determine whether it is excess as far as the Army is concerned.

As far as the determination of excess is concerned, that is done by a board in the Department of the Army, to determine if there is any possible use for it by the National Guard, Reserve, or Regular Army; if not, then it goes into an obsolescence stage. But it all depends on the receipt of new equipment. It is just a question of purifying the entire Army system and trying to derive some revenue, in the case of 408 (c), from these old items which we no longer use, and furnishing the items that have some application.

Mr. ROOSEVELT (presiding). Your stuff is mainly ordnance, I gather?

Colonel BURGESS. Mostly ordnance.

Mr. ROOSEVELT (presiding). About \$130 million of the \$423 million so far expended is ordnance. What is the rough value of the excess ordnance now on hand in the Department of the Army?

Colonel BURGESS. I have not got the figure. I could get it for you. It is considerable.

Mr. ROOSEVELT (presiding). An important question is how did we arrive at that figure of the additional \$450 million. How did we arrive at that? Is that an estimate of what is on hand as excess now, and what probably will be in the next year, due to this purifying process, as you call it? Did the Army, Navy, and Air Force get together and say, "We have this on hand. That is excess, and we expect so much more through the purifying process, therefore, we come up with a figure of \$450 million"?

Colonel BURGESS. We submitted an estimate to the Department of Defense as to how much we thought we could use. It depends on whether the countries ask for this equipment or not. It is a selling job on our part. If the country will not ask for the equipment, we cannot by law make them take it. It is a selling job on our part.

We have estimated to the Department of Defense how much we need for the next year. That is combined with the other two services' estimates to arrive at the figure of \$450 million in our request.

Mrs. KELLY. Will the gentleman yield? Is this excess sold to individuals?

Colonel BURGESS. No; government to government. No commercial concerns would buy it.

General SCOTT. Do you want to hear from the Navy and Air Force?

Mr. ROOSEVELT (presiding). Yes.

STATEMENT OF COMMANDER GEORGE D. HOFFMAN, OFFICE, MILITARY ASSISTANCE, SECRETARY OF DEFENSE

Commander HOFFMAN. My name is Commander George D. Hoffman. I am on General Scott's staff. For the Navy the excesses have been mostly in the nature of destroyer escorts. These vessels are very slow, about 16 knots, Diesel-driven. They are not up to the best standards of even destroyer escorts, because we have better ones that are steam-driven and are faster. We have been reluctant to release any, and thus far have not done so. Each instance is weighed very carefully as to whether or not even the slow escorts will be made excess.

In addition to the destroyer escorts, there are certain amphibious vessels that are unsuitable to the mobilization requirements, such as landing ships, infantry, large, and landing ships support, large.

The name "large" is a little misleading because actually they are quite small. A large number of those vessels have been found unsuitable for future use, and have therefore been declared excess in, I believe, a very thorough manner of calculation by various boards, and have been programed at no cost except for the rehabilitation charges in the grant-aid procedure, and have been made available for

possible sale in reimbursable procurement, at which they would go at 10 percent of their acquisition cost plus charges for rehabilitation.

Then as we know, six old cruisers were sold to Latin-American countries for some 6, 8, or 7 million dollars apiece.

Those old cruisers were found to be unsuitable in our mobilization plans for the future. Also, there have been aircraft known as SB2C's. They are dive bombers which were successful in World War II, but which now are outmoded. I think the Navy is very glad to either program them on grant-aid programs or, if possible, sell them to any country wishing to buy them.

There are probably other instances of smaller craft. I think that is a general explanation.

The Navy has used the military aid program to some extent as a means of settling outstanding lend-lease accounts.

An instance of that is the six DE's that have been in the possession of France since World War II. To get them off the books they have put them in the program. That lodges a charge against excess, because each one of those vessels has a value of 3, 4, 5, or 6 million dollars, and when multiplied by 6, one can quickly arrive at a possible lodgment against excess charges of about \$30 million.

Mr. VORYS. I saw the first shipment of military aid on March 8, 1950. It went aboard the *Dismude*. That was a lend-lease ship. It was loaded up, I think, with these SB2C's.

We had \$110 million worth of stuff shipped the first year. How is that first shipment carried on the books?

Commander HOFFMAN. The SB2C's and the F4F's are carried as excess. But the program was charged for the rehabilitation of those planes. France got the planes at no charge.

Funds were charged to the program for the Navy's work in rehabilitating the aircraft. The vessel itself, the *Dismude*, happened to be a lend-lease vessel.

I believe it is the Navy's desire to write that vessel itself off the books. I think that is still an outstanding, unsettled lend-lease account.

What the value of it would be I do not know. It would be several million dollars and therefore would require the availability of an adequate excess limitation.

Mr. VORYS. Instead of trying to pull this out item by item, I think General Scott or somebody could just say, "We are asking for excess equipment, what is left over, \$500 million, half a billion dollars, of authority for next year."

"We are sure about it. This is why we asked it. Here is what will be excess." They can either say that or say, "We just got in a corner and by guess and by God wanted to see if you would stand for the \$500 million in excess equipment."

I do not want to take the time of the committee further on that, but I want the answer.

Mr. ROOSEVELT (presiding). We can get either one or the other. We can find out if they had any estimates for it or find out whether it was just a guess.

General SCOTT. I will give you that breakdown right now. This is for the total of \$1,150,000,000. Furnished under the Greek-Turkish program, \$1,696,000; the fiscal year 1950 grant-aid program, \$298,408,000.

Mr. VOYTS. If you will pardon me, that does not tell me a thing. I want to know what the future stuff is. If you are doing this for my benefit, there is no use reading those past deliveries. What I want is to see a list of the stuff that is either now excess or you think is going to be excess, when you come in with a half-billion dollar request for excess.

Mr. ROOSEVELT (presiding). The colonel said that the Army submitted its estimate of what either was excess or probably would be. General SCOTT. Dollar estimate.

Mr. ROOSEVELT (presiding). If we can have that for all three services, we can see how the total comes out and how the \$500 million is arrived at. If you will submit that for the record later on, General SCOTT, we can proceed to the next item.

(The information referred to appears on p. 702).

General SCOTT. The next subject is the question of the development of the program, or the programming process and the criteria which underlies our programming.

I thought since this was such an important subject and has been discussed on a number of occasions here, it would be well to go into that in considerable detail.

I have before me a draft of a directive which we have prepared in connection with this matter. This program process, as we call it, requires a number of steps. The first is the review or determination of the United States objectives in countries or areas to receive assistance.

Second, a determination of the forces to be supported.

Third, a determination of the scale of equipment of these forces.

Fourth, the calculation of gross matériel requirements for the forces.

Fifth, the determination of assets on hand or anticipated in countries or areas.

Sixth, the calculation of net matériel deficiencies, and last, the preparation of matériel program.

The equipment and supplies for the NATO members will be provided only for those forces required by the medium term defense plan and accepted by the country concerned as definite commitments.

In NATO countries, equipment and supplies will not be furnished for the following: those forces, facilities, and establishments which do not contribute to the definite country commitments to meet the requirements of the medium-term defense plan.

Second, home guards and territorial groups which after M-day will be operational on a part-time basis only.

Third, gendarmerie; fourth, infrastructure.

For the non-NATO countries; that is, countries under title II and title III—

Mr. CHIPERFIELD. May I ask a question there? Home guards; is that correct?

General SCOTT. That is correct.

Mr. CHIPERFIELD. There is an underground in Norway; is there not? I know there was during World War II. Could they be utilized? Could you not furnish them some equipment?

General SCOTT. Our objective now is to get the forces equipped that are going to be in General Eisenhower's field forces.

As a policy, as stated here, we do not propose to furnish equipment for other forces. We expect the countries to do a part of this job. They should accept that responsibility.

Mr. CHURCHFIELD. I understand.

General SCOTT. For non-NATO countries, equipment and supplies will be provided only for those forces that are essential for the accomplishment of the United States objectives in the respective country, in consonance with United States plans and policies, and are in being or immediately mobilizable and have the capability to absorb and utilize the aid effectively.

Equipment and supplies in the non-NATO countries will not be provided for forces which after M-day will be operational on a part-time basis only; forces which are not under centralized military control.

Mr. VORVY. What do you mean by "not under centralized military control"?

General SCOTT. In certain southeast Asia countries there are many individuals who are provided military equipment who operate locally and who are not under centralized military direction as organized forces. We are saying we give aid and assistance only to organized forces.

Mr. VORVY. You mean the other fellows would be guerrillas or a local police force?

General SCOTT. They suppress guerrilla activity under some local authority. Many of them have equipment, but we do not think it is our responsibility at this time to undertake that obligation, when we have so many other obligations to undertake. Countries will have to find ways of meeting this requirement.

Now, on this question of scale of equipment for foreign forces, it was given considerable study by the Joint Chiefs of Staff and by the services. They have laid down certain general conditions which are considered in arriving at the basic factors they use in preparing the programs. I would like to read these, if I may.

In general, the magnitude of the rearmament program makes it imperative that the United States limit its commitments to those of the highest priority only.

(b) Combat forces of some, but not all, of the countries need be so equipped as to approach a capability of performance comparable to similar United States units. The scale of equipping these forces should be related to the missions they are expected to execute, and the conditions under which they are expected to operate.

(c) Those forces scheduled for combat in support of United States and NATO plans should be equipped along lines equivalent to those of comparable United States units.

"Equivalent" does not necessarily imply complete equality of organization and equipment. For the specific tactical mission involved, however, there should be equality of capabilities.

Now, I am going to read to you what I consider to be a very important policy that relates to spare parts and ammunition. Some parts of this I will have to edit.

Mr. ROOSEVELT (presiding). Do you want this off the record completely?

General SCOTT. It goes into combat reserves, and I would rather have it off the record.

Mr. ROOSEVELT (presiding). This will be off the record.

(Discussion off the record.)

General SCOTT. Briefly, for the record: In the interest of inducing countries to achieve a self-supporting basis for those items, the

United States will no longer provide on a grant basis the spare parts and ammunition required to maintain and supply United States equipment on hand to countries with the capacity of (1) purchasing such items from the United States under the provisions of 408 (c) of the MDA Act of 1949, as amended, or (2) producing, or otherwise procuring such items.

In the preparation of the fiscal year 1953 programs, the following policy governs: For spare parts (1) not to exceed 1 year's supply at United States peacetime rates may be supplied for end items in the fiscal year 1953 programs; (2) in addition, not to exceed 3 months' supply at United States or NATO approved combat rates may be supplied for items in the fiscal year 1953 programs; (3) spare parts may be furnished on a grant basis for equipment furnished under previous programs to a total on hand not to exceed the above levels, provided such action is determined to be essential to the combat effectiveness of forces; (4) spare parts will not be included for items furnished under previous MDA programs, lend-lease, or other sources when they can be provided from country production or country purchase.

The same general principle applies in the case of ammunition.

On recommendations of the respective United States military services, or the country MAAG, and in the cases of NATO countries, JAMAAG, the Department of Defense may approve exceptions to the above policy when such exceptions are clearly in the interests of the Mutual Security Program.

That covers, I think, broadly enough, this whole question of ammunition and spare parts.

Now, to discuss the contents of the material programs. Material programs will exclude the following types of items:

(a) Obsolete or obsolescent items, unless the country itself agrees to accept them;

(b) Equipment of questionable operational value;

(c) Equipment which for security reasons should not be made available; and

(d) Equipment for which a country has no direct military need, will be unable to absorb, or will be incapable of utilizing at the time of expected delivery.

It follows that no equipment which would go into a country's stockpile should be shipped except for authorized reserves and maintenance levels.

Mr. FULTON. Could we ask there, does that mean no excess of equipment, as distinguished from surplus?

General SCOTT. That means we will send no equipment to a country if the forces are not in being to accept it, except those items which you normally have to store, such as spare parts, ammunition, and so forth.

The point is, we are not shipping equipment to be stored.

Mr. FULTON. Yes. But within what period of time must it be used? For example, there is the distinction between excess equipment that we have and surplus equipment. For example, is it intended to be usable within a year?

General SCOTT. This has nothing to do with excess or surplus equipment. We are talking about equipment we are making available to these countries under our end-item programs.

Mr. FULTON. That equipment it is assumed is to be usable. It does not get into the question of being excess equipment at all in those countries.

General SCOTT. Will it become excess in those countries?

Mr. FULTON. Yes. Excess to immediate needs, but usable within a certain period of time.

General SCOTT. Well, we do not furnish the equipment if it is going to be excess, but we do furnish equipment for forces which are mobilizable just the same as we do for our own forces—mobilizable in units. Then that would be furnished to the unit direct and would not be excess.

Mr. FULTON. The other part of the question is, if they need that, do you supply any equipment for reserves?

General SCOTT. We supply equipment for forces which are included in the NATO plan and which are mobilizable within 90 days.

Mr. FULTON. That is part of the answers.

General SCOTT. But they are supposed to be combat effective at that period.

Mr. FULTON. Thank you.

General SCOTT. (e) Human blood and human blood derivatives.

(f) Also narcotics and antibiotics.

(g) Housekeeping equipment, such as field ranges, tents, typewriters, and so forth.

(h) Personal equipment and personal supplies of a type peculiar to the armed forces.

(i) Prefabricated warehouses, bulk storage facilities for POL.

Mr. VORYS. Would you tell us what that personal equipment means? Is it uniforms?

General SCOTT. That is right. Uniforms, undershirts, belts, web equipment of various kinds; mess kits and all the items that a soldier has with him.

Mr. SMITH. Is there any tobacco in that?

General SCOTT. No.

Mr. VORYS. Yes. The tobacco is in the list that is excluded.

General SCOTT. This is all excluded. We do not furnish that.

Mr. ROOSEVELT (presiding). Yes; but ECA takes care of that.

General SCOTT. (j) Common use items, including but not limited to the following which are not furnished. Automotive spare parts, such as spark plugs, fan belts, brake shoes, tires and tubes, and so forth. Second, clothing and textiles. Third, engineering equipment not on a table of organization and equipment of the United States engineering troops. Food, forage, medical supplies, POL. Raw materials are not furnished.

Mr. VORYS. General, have you finished the list of exclusions?

General SCOTT. Yes, sir.

Mr. VORYS. I have two questions. One is, Could you give us an example of security items that are under (e), I think it is, or, in any case, security items? I immediately would think we are going to hand around atom bombs under this program.

General SCOTT. Atom bombs are not furnished, nor are cryptographic equipment. I am not familiar with all the security items, but they are prescribed in service regulations.

Mr. VORYS. General, I would think it would be of the utmost importance, and I cannot see any military reason or any security

reason for not including substantially that list in the public hearings and also in the report. It seems to me it would answer a thousand questions that come up. I hope you will consider that.

Mr. CHIPERFIELD. General, just one moment. You excluded raw materials?

General SCOTT. Yes.

Mr. CHIPERFIELD. Who pays for the building of an air base and the runways?

General SCOTT. We are not setting it up in our programs. Raw materials are furnished by the ECA programs to the extent authorized. The country pays for building an air base unless it is classified as NATO infrastructure. The financing of infrastructure is currently under consideration in NATO.

Returning to the discussion of end items excluded from our programs, I should like to state that there are some exceptions. As you know, there are now and then going to be exceptions, particularly outside the NATO countries.

Where a valid requirement exists for any of the types of items listed above, where special circumstances indicate consideration, and where contingencies dictate that the items will not otherwise be supplied in time, material programs may include any of these items, provided adequate justification on an item basis for approval of the Department of Defense, accompanies the material program.

In other words, we cannot make a blanket statement, but we require, when they are included, that they be justified, item by item.

Mr. VORYS. We marched clear up the hill and then down again, have we not?

General SCOTT. What do you mean?

Mr. VORYS. How much of the excluded stuff has been supplied up to date?

General SCOTT. None to NATO countries. This is not a new policy. The exceptions apply to such countries as Greece and Turkey.

Mr. VORYS. But you do that under the military program? For instance, common use items?

General SCOTT. We used to, for Greece and Turkey only. Now we are turning over the civilian type of item to ECA.

Mr. VORYS. I wondered, for the information of myself and the committee, and possibly the House, if we could have this. As I say, I think this exclusion list is an interesting list. Could we know if there had been no exceptions in NATO, or if the exceptions are trifling? The amount would show if it was trifling or not.

General SCOTT. Yes. There was some specialized flying equipment for Norway which was very special equipment. But that is the only one I know of.

Mr. VORYS. I can see that the Greeks and maybe the Filipinos, or some others, might have to be given mess kits, or things like that.

General SCOTT. The exception paragraph is inserted not for the NATO countries, but for the other countries.

I think you might discuss some of the factors in the determination of the net matériel deficiencies. In order to determine net deficiencies the country's assets must be subtracted from the gross requirements. The assets to be considered include the following:

(a) Equipment on hand and serviceable.

(b) Equipment programed on previous mutual security programs, but not yet delivered and counted as on hand.

(c) Anticipated output within the country as a result of the country's production program.

(d) Equipment scheduled for procurement in a third country, including direct purchase from the United States.

(e) Equipment scheduled for repair from unserviceable stocks on hand.

Items are eliminated which the ECA country missions indicate can be produced or procured by the country itself.

Mr. VORYS. What is the last sentence?

General SCOTT. Any item which can be produced by a given country should be included in the indigenous production program of the country, and such economic assistance as may be necessary should be provided to assist in that production.

Mr. VORYS. By ECA?

General SCOTT. By ECA. Not by Defense.

Mr. VORYS. Could I ask you this, General? In your whole \$6,200,000,000 program, is there any economic aid of any kind? Is there any material furnished, or is there any dollar aid of any kind furnished?

General SCOTT. There is no dollar aid, and to my knowledge no material furnished.

Mr. VORYS. And no end use items like food, and that sort of thing?

General SCOTT. None.

Mr. VORYS. Is there any food in your program at all?

General SCOTT. None. No, sir.

Mr. FULTON. General, could I ask if you could come up with several alternatives? We on the committee must face the fact that this program may be cut on the floor. Now, if it is cut, then we should be able to explain what the effects of a cut will mean.

For example, Senator Taft has recommended that the program be extended over 2 years instead of 1 year. We would say that is equivalent to a 50-percent cut in the military aid program.

Would you then supply us with some sort of a not-too-detailed plan showing how the program would be handled on that basis? Let us say, on the basis of a 50-percent cut, or, in the alternative, on stretching it over 2 years. Then give us the effects of such a cut.

In addition, the other question is: What would the effect of a billion dollar cut be, and how would you have to change the program to meet a billion dollar cut? Those are the two things I would like to have submitted to me and to the committee, as they are contingencies that we directly face on the floor of the House.

Mr. ROOSEVELT (presiding). Could I ask a question on that to clarify what your question is?

As I understand Senator Taft's proposal, he merely says we are going to give you this amount of money, but it is going to be spent over 2 years. Now, under that kind of a limitation there is no reason why the three agencies concerned could not go ahead and spend it in the first year and come back to us next year and say, "Boys, your money is gone. Your 2-year program is finished in 1 year. The security of the free world now depends on your modifying your original position."

Now, that is one answer. I mean, General Scott can come back and say that under Senator Taft's proposal it makes no difference at all, because we are going to spend it all as we have a program.

The other thing is: Do you mean that Senator Taft's proposal is to cut this total program by 50 percent in this year, so that the other 50 percent must be and can only be spent in the second year?

Mr. FULTON. May I comment first that I am in the position of having to take Senator Taft at his word, that he intends this program to be spread over 2 years.

I have asked for an answer in the alternative, if there is a difference either on the spreading of the program over the 2-year period, as Senator Taft says it, or taking it on a simple 50 percent cut for the year.

Mr. ROOSEVELT (presiding). That is correct.

Mr. FULTON. The third one, though, was the plan that would have to be followed on a billion dollar cut and the effect then of what that plan would be either upon United States security or upon the program.

Mr. ROOSEVELT (presiding). May I ask for a clarification of that?

Mr. FULTON. I can clarify that a little. I am talking about a billion dollar cut on the military program and not on the economic aid.

Mr. ROOSEVELT (presiding). All right.

General SCOTT. Of course, we feel very strongly that this program should be approved as is.

Mr. FULTON. Yes, sir. We must make these points on the floor, though.

General SCOTT. It is based on military requirements. If the question involved is whether or not we approve the program and appropriate the money, or approve the program and appropriate only a portion of the money and the rest of it is contract obligation, I think that can be worked out, because manifestly all of the money cannot be spent this current fiscal year. That is, actually spent.

Mr. FULTON. We should leave that mechanical part of it out of my question.

General SCOTT. That can be worked out. I think there would be no objection on the part of Defense to such an arrangement if it is a question of appropriating a certain amount and the rest of it is contract obligation.

Mr. FULTON. I would rather not bring up that particular mechanical process in my question. My question is what kind of a program will the United States have, first, if the military program is cut on the floor \$1,000,000,000?

Secondly, What kind of a program will the United States have if Senator Taft's suggestion is approved that the program be extended over a 2-year period instead of a 1-year period?

Then as a corollary to that, take the alternative. If there is simply made a 50-percent cut in military program, what do you have?

I think you should give us those alternatives because they seem to be very likely alternatives at this particular moment.

Mr. VORYS. Will the gentleman yield?

Mr. FULTON. Yes.

Mr. VORYS. It seems to me that they should give the program they want, which they have never yet done, before they give us the program that they might have under other conditions.

Mr. FULTON. Yes, but I have asked for this later, and not at this time. In fact, that is why I brought it up to begin with, so that it can be worked on by the Department.

Mr. MERROW. Mr. Chairman.

Mr. CARNAHAN (presiding). Mr. Merrow.

Mr. MERROW. I would like to ask the question for clarification. Is this excess to be in addition to the end items in the main bill? In other words, will the amount that we allow you for excess be in addition to the \$8,500,000,000 bill?

General SCOTT. It will not be an additional appropriation.

Mr. MERROW. You asked for a limitation of \$1,300,000,000.

General SCOTT. \$1,150,000,000.

Mr. MERROW. \$1,150,000,000. So that actually, to get that over-all picture you would have to add \$1,150,000,000 to the \$8,500,000,000. Is that right?

General SCOTT. No, sir.

Mr. VORYS. 515 is added to it.

Mr. MERROW. But I mean to get the over-all assistance for both military and economic aid. The excess will be outside of what we will authorize and appropriate in the large bill. Is that it?

General SCOTT. The increase in the ceiling of \$450,000,000 we are asking for in this bill for excesses has no relation to the dollars requested in the act.

Mr. MERROW. Is this right then? If you add up the economic aid and military aid under the large bill and the limitation that you want for excess materials, it would be 8.5 plus 1.150?

Mr. VORYS. No.

Mr. ROOSEVELT. Plus 450.

Mr. MERROW. I see. Plus 450.

General SCOTT. Remember that 450 is the acquisition cost.

Mr. CARNAHAN (presiding). Will you proceed?

Mr. ROOSEVELT. To my knowledge it is not really fair to add the 450 on to the 8.5 because that represents the acquisition cost and it would not actually be costing us that, or the taxpayer that, at this point.

Mr. VORYS. Except for this: If they finagle this excess formula and take new stuff, it could be that way. As a matter of fact, it is an authorization that for sure at one time or the other cost the taxpayers \$450,000,000.

Mr. ROOSEVELT. That is correct.

Mr. VORYS. Now, it depends on the way this excess formula is administered, whether it is really old stuff or is declared old for the sake of the expanding of the program.

Mr. MERROW. It could be up to \$9,000,000,000 then.

Mr. ROOSEVELT. No, because normally the record shows the stuff they have declared excess under their procedures, which we went into, the current value is at the most 10 percent, and even under the 408(e) program the resale value is at the most 10 percent. So that you are only really adding possibly \$40,000,000 on to the 8.5 in actual value spent.

The taxpayer has previously spent, and the United States Army, Navy, and Air Force has gotten value out of this stuff before it became excess.

Mr. VORYS. The rehabilitation costs would come out of the appropriation authorization?

General SCOTT. Out of the appropriation.

Mr. CARNAHAN (presiding). Then you should make it clear there would be no addition to the appropriation at all.

General SCOTT. It does not increase the appropriation, but in raising the ceiling on excesses and permitting us to use more excesses, it permits us to utilize equipment which would not be otherwise utilized in our grant aid programs and will also permit us to sell equipment under 408 (e). The value of it on the market would be very low. It is excess in any event, the only question being whether we find a useful place for it in the mutual aid program, or sell it as junk or scrap.

Mr. MERROW. I think I can see although it does not increase the authorization and appropriation, it does substantially increase our military aid to the countries. Is that right?

General SCOTT. That is true.

Mr. MERROW. In other words, they would get what we would authorize and appropriate for end items in this bill, that is, military assistance plus all of this excess, so that they would be getting more military aid than the bill actually shows. Is that right?

General SCOTT. That is true, but some of the more expensive items, such as aircraft are going to have to be replaced. That aircraft will ultimately be replaced by jet aircraft.

Mr. MERROW. To get the whole picture then, when we finally make the authorization and appropriation for military end items, you will have to set that forth, and then you will have to add on what we allow you to give for excess, so that if the entire \$8,500,000,000 should go through it would still be more if this \$1,150,000,000 goes through. That is, we will give more military aid than is shown in the large bill.

General SCOTT. You do two things, as I see it, if the act is passed as proposed. One is you raise your ceilings on excesses from \$700,000,000 to \$1,150,000,000.

Mr. MERROW. That is right.

General SCOTT. Also, you increase the appropriations to \$8,500,000,000. The same plan that you are applying this year was applied in 1950 in the Turkish Aid Act.

I am still confused as to exactly what Mr. Fulton wants when he said you spread the program over 2 years. By spreading the program over 2 years, is it to be understood that half of it would be appropriated for this year, and that half of it would be reserved for appropriation the following year?

Mr. FULTON. I believe Senator Taft's suggestion is that you would get the money with the understanding that this amount of money would be all that you would receive for 2 years. Now, the breakdown as between the years I do not believe you went into, but if you had this program that you now set up for this fiscal year extended over a 2-year period, you would then have to plan on what you would need to put in the pipelines for, say, future delivery, and do some prior ordering, and it would cause you to make a change in plan.

So that you have a problem then of how a 2-year stretch would affect your planning program.

General SCOTT. I can answer that right now. As far as NATO is concerned, it would practically wreck it. Our 1952 programs—

Mr. FULTON. I am putting up alternatives that probably most of us do not favor. Would you say what your planning would have to be under these two or three sets of circumstances, because they are far more than just a small cloud over the horizon. There are substantial groups who will take those positions on the floor.

Mr. RIBICOFF. May I comment that in the field of foreign affairs the position of this group usually is defeated in the Congress.

Mr. FULTON. But at least we must meet on the floor what is now part of the planned opposition. That is, not just to defeat the program, but to cut it down. We should then see, if we were a board of directors, what the alternatives are for action.

So that means, first, how do you plan to do it if the program for this fiscal year is cut \$1,000,000,000? Second, what are the effects of that plan upon security, on the program and on the production here at home?

How would you plan if Senator Taft's proposal were adopted? Certainly the Army comes up with what happens in all probable eventualities and plans for them. It would help us greatly on the floor if you would then tell us the situation as it affects your planning.

General SCOTT. Well, in general this program for 1952 for the NATO countries is to provide certain essential equipment for the forces that they have agreed to have in being in 1952. In other words, this program is to meet the requirements of the forces that the NATO countries have agreed to have in being in 1952.

Mr. FULTON. That is correct.

General SCOTT. When you get to discussing a cut in the program and a different amount of money, there is a terrific processing that has to be done to arrive at the readjustments. There would have to be thorough study by the Joint Chiefs of Staff before the funds could be redistributed.

Mr. FULTON. Certainly you people did not come up here with only one plan based on a certain specific number of dollars. You must have come up with alternatives. As a military planning agency, you must have come up with what we could do on this amount of money, and where it would lead us, or what we would have to do if the time were extended.

You have to study these various alternatives and then say let us see what is the best plan. You are giving us the best plan, and yet you say you have no other alternatives. I am saying, take two or three alternatives, which you might not like, and let us hear what the effect is and what the difference in your planning is.

Mr. VORYS. Could we please get their plan before we start talking about alternatives? So far as this record is concerned now, if we go to the floor we do not have very much explanation for this plan. Now, before we get to alternatives, let us get the plan.

Mr. FULTON. I am not asking for an answer upon the questions now, but I want them to think about it ahead of time before we get through with this.

Mr. CARNAHAN (presiding). General, you understand the request that has been made by the gentleman, and if you will I will ask that we proceed, and that that information which the gentleman wants be at least thought of by you.

Mr. FULTON. Thank you, Mr. Chairman.

(The following was submitted for the record.)

THE SECRETARY OF DEFENSE,
Washington, July 28, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: The statements which Mr. Fulton made on July 20, 1951, at the Mutual Security Program hearings before the Committee on Foreign Affairs as to the need for alternate plans in the event of a major reduction in proposed authorization of fiscal year 1952 funds for military assistance have been given most serious consideration in the Department of Defense, and I trust that the following discussion of the relationship between the principal factors affecting our foreign-aid planning will assure the committee that the possibility of attaining our security objectives with lesser sums of money has not been neglected. I do not intend this discussion to be taken solely, or even primarily, as an argument that the funds should not be reduced; I hope rather to point out that these funds are carefully calculated as one element in a complex plan to bring about a certain result. The alternative is a change in the basic aims which we had when we agreed to the appointment of General Eisenhower as Supreme Allied Commander in Europe.

We must assume that the impact of any substantial reduction in foreign military aid funds would be borne by the nations participating in the plan for the defense of Western Europe, since over 80 percent of the funds are earmarked to assist in carrying out that plan. Any other assumption would imply almost complete renunciation of our current objectives in other parts of the world.

The plan agreed to by the North Atlantic Treaty members for the military security of Western Europe is based on the provision of certain land, sea, and air forces, primarily to General Eisenhower's command, on a time schedule which insures steady improvement in the European military position, approaching the minimum strength which can give reasonable assurance of security in about 3 years. Each member of the North Atlantic Treaty Organization has committed itself to bring certain elements of these forces into being on scheduled dates. It is true that the sum of such commitments does not yet equal the requirements, but there is no reason to doubt that this gap can be reduced within the time limit as the rearmament effort gathers momentum. But the ability of the European nations to create combat-ready forces is limited by the availability of modern weapons and other matériel. Some of this matériel they can and will provide for themselves in increasing amounts under the stimulus of General Eisenhower's leadership and United States economic aid. During the critical period which faces us, however, the bulk must come from the United States. Thus, the raising of European forces is directly related to the scale and time schedule of United States matériel deliveries. The funds requested for this purpose in fiscal year 1952 are calculated with the greatest practicable precision, on the basis of carefully screened lists of deficiencies, to provide essential matériel for those European forces which will be in being by December 31, 1952.

I am sure the committee fully understands the military basis for the matériel program as summarized above, but I have tried to put it in such a way as to emphasize the essential relationship between European military manpower, United States matériel, minimum security objectives, and the time we reckon to have for rearmament.

As to our plans in the event we cannot provide matériel on the time schedule under which General Eisenhower's forces are building up, we must obviously face a dislocation of the other balanced factors. On a purely theoretical basis, all such reductions point to an extension of our objective in time; we could theoretically attain the same minimum military security at a later date. Very roughly, the time extension would be proportional to the reduction in matériel deliveries. If a reduction of funds required extension of a planned 1-year program through 2 years, we might attain our objectives about 1 year later than we had originally planned.

More significant than a theoretical exercise in time factors, however, is a consideration of the moral and psychological impact of a program which would fail to equip the men whom the European nations have already engaged to furnish at a certain time and for whom they are budgeting funds for maintenance and locally produced equipment. Immediately the United States will lose the initiative and leadership in pressing for greater European contributions and for accelerated effort in producing the forces now projected. The momentum which General Eisenhower is trying to build up in rearming Europe will stall and pos-

sibly slide into reverse. Under such conditions, no date can be set for our readiness to meet an attack on terms which offer a reasonable chance of success.

The foregoing discussion derives its most serious implications from Mr. Fulton's assumption based on Senator Taft's proposal for stretching fiscal year 1952 military assistance through 2 years, whether by a 50-percent cut in fiscal year 1952 or by a 2-year authorization which might delay the full impact until manpower and other European resources were available for activation of those forces scheduled for calendar year 1953. Mr. Fulton's alternative, a flat \$1 billion cut, would probably have to be applied to eliminate that part of the program which provides speed and flexibility in taking advantage of accelerated efforts which we expect on the part of our NATO allies, and anticipated participation in the defense effort by certain nations presently outside NATO. Since the total amount planned for these purposes in fiscal year 1952 is considerably less than a billion dollars, the remainder of the cut would ultimately have the effect of reducing the European NATO forces in being on December 31, 1952, by an indeterminate number, the precise order of which would depend on European reaction to a continued deficiency in certain essential matériel.

The specific answer to Mr. Fulton's request for information as to the course of action which the Department of Defense must contemplate in the event of a large-scale reduction in fiscal year 1952 military assistance funds is quite evident in the light of the foregoing discussion. In any event, regardless of the language of the enabling legislation, our action must be to inform General Eisenhower and the member nations of the North Atlantic Treaty Organization that the present time schedule for attaining a sound defense position in Western Europe is not feasible, that the United States Government is prepared to accept the risk of substantial delay, that no adequate provision can be made for prompt initial equipment of friendly European nations presently outside the North Atlantic Treaty Organization, and that any further action taken by the Supreme Commander must be without the full United States support upon which he had hitherto depended. The Supreme Commander must then make a revision of his defense plans in the light of the lesser means which he could expect to have at his disposal during the critical period ahead.

Faithfully yours,

G. C. MARSHALL.

Mr. CARRAHAN (presiding). Will you proceed, General?

General SCOTT. Do you desire any further discussion on this question of programing? I might carry on the discussion we started yesterday on the tying together of the military and item programs and the economic aid program.

We feel that these programs under this scheme that I have indicated today are tied together, can be tied together at the country level, because what we are trying to accomplish is to arrive at the deficiencies in order to have the forces in being there at a specific date. Now, that list of deficiencies is what they require to equip the forces.

When the deficiency list is reviewed by the country MAAG and the ECA mission, it is divided into two parts. One part consists of the items which must be produced in the United States, and the other part lists those items which must be produced in the country.

The economic support program is based on the items that must be produced by the country. It takes both parts to equip the forces that will be in being.

This chart does not apply to title I, but applies to the total appropriations. It gives the obligations of the fiscal year 1950 and 1951 funds.

This blue curve indicates the obligations.

This curve here indicates the expenditure, and these lines indicate the allocation of the funds to the Department of Defense.

Mr. VOUYA. Does expenditure roughly parallel materials shipped?

General SCOTT. That is correct.

Mr. Vorvys. About \$948,400,000. That is what this green book shows: 743 is the first, of 1950, and 205 out of the 5,381 made available last year.

General Scott. That shows how much shipped in dollars?

Mr. Vorvys. Shipped from ports 743.4 of all three titles in program year 1950.

Shipped from port, program year 1951, \$205,000,000. I have added those and they come to 948.4.

General Scott. Is that for June? What date is this?

Mr. Vorvys. May 31, "Selected statistics." This is just what we were handed.

General Scott. There are two ways you can figure values. One is the expenditure under the act, and the other is the expenditure under the act plus the value of other equipment from excesses that may be furnished. I do not know what was used in the preparation of those data, but our figures indicate for both 1950 and 1951, as of May 31, that the expenditure was around about \$800,000,000. It is over a billion by this time.

The obligations as of May were \$1.8 billion, approximately, and we expect to obligate by the end of June - we do not have the reports yet, but we estimate the obligations will be about \$5.8 billion, or close to it. In other words, 92 percent of the funds made available will be obligated. Approximately \$500,000,000 will be unobligated.

Now, on deliveries. The 1950 program is about 80 percent delivered. The 1951 program was 9 percent delivered by June 30, 1951. We expect the deliveries of the 1951 program in the fiscal year 1952 to be about 75 percent.

Mr. Vorvys. You mean that from May 31 - how much did you ship in June, because the \$205,000,000 in the book that was handed to us is not anywhere near 9 percent of \$5,183,000,000.

General Scott. We do not have the figures. We estimated the amount that will be shipped in June. There was a very large shipment in June.

Mr. Vorvys. And \$734,000,000 is not any 80 percent of \$1,685,000,000.

General Scott. To repeat what I have said, the deliveries under the 1950 program to June 30, 1951, amount to about 70 percent. The deliveries during the fiscal year, 1951, for the 1951 program, amounted to 9 percent. Both those quantities are estimated. We do not have the final reports in for June 30.

The deliveries we expect during the fiscal year 1952 are as follows:

The remainder of the 1950 program will be delivered; 73 percent of the 1951 program will be delivered; approximately 8 percent of the 1952 program will be delivered.

Mr. Vorvys. What does that total in billions?

General Scott. That runs about \$3,750,000,000.

Mr. Vorvys. What does that show for deliveries of 1950 and 1951 in billions?

General Scott. This will be a very rough estimate. About \$300,000,000 of the 1950 program; about \$3,000,000,000 of the 1951 program, and a half a billion of the 1952 program for a total of \$3.75 billion.

For the fiscal year 1953 the remainder of the 1951 program will be delivered and about 81 percent of the 1952 program. The total deliveries we think will run around \$5.0 billion.

Mr. VORYS. Who is the Comptroller of International Security Affairs?

Mr. VASS. The Department of State.

Mr. VORYS. Is he here?

Mr. VASS. He is not here. It is Mr. Murphy.

Mr. VORYS. This document was prepared by him. It shows less than 50 percent of the 1950 program shipped from port as of May 31, 1951, and you just told us that 79 percent has been shipped.

Now, do you mean that 29 or 30 percent of the whole 1950 program was shipped in the month of June?

General SCOTT. The information I have is that they estimated that on June 30 shipments would amount to 79 percent.

Mr. VORYS. Who estimated?

General SCOTT. The services.

Mr. VORYS. It is now July 18 or 19. Do you have to make an estimate as to what was shipped in the fiscal year ending June 30, 1951?

General SCOTT. The reports are now coming in. Do you know whether they are in yet?

Mr. O'HARA. The reports from the military departments come in normally as of the 25th of the month. The month of June, however, is a month in which they try to clean up all their little odd balancing figures and so forth, to clean out the fiscal year accounts, so they allow an extra 15 days for those reports so that they will not be in until August 10 for the June 30 fiscal year. There were heavy deliveries anticipated during June, and the preliminary reports indicated that approximately \$400 million worth of materials for MDAP was shipped from ports in June.

Mr. CARNAHAN (presiding). General, will you proceed?

Mr. VORYS. Yes; go ahead.

General SCOTT. I have here the categories of items, of major items, and the quantities that have been delivered through June 30, 1951.

The combat vehicles for the Army amounted to 4,480, and there are about 18,000 trucks and 2,900 pieces of artillery. There are 396,000 small arms and machine guns, 178,000,000 rounds of small-arms ammunition, and 5,000,000 rounds of artillery ammunition, and 921,000 mines and rockets.

The Navy has delivered 188 vessels through June 30, 1951, and 241 aircraft during the same period.

The Air Forces have delivered 605 aircraft.

This is an over-all chart of major categories of materials in 1950, 1951, and the proposed 1952 mutual security programs. The 1950 is shown in red; the 1951 in green; and the proposed 1952 in yellow.

Mr. VORYS. When you say "estimated charges" that means that is what you are going to deliver out of these programs, or just what does estimated charges mean?

General SCOTT. It is the cost of the item, excluding packing, handling, crating, and shipping and repair and rehabilitation of excess stocks.

Mr. O'HARA. That will include the cost of the items either at the acquisition cost, the replacement cost, the procurement price, and excludes the rehabilitation cost in the case of excess items, Mr. Vorys.

Mr. FULTON. Will you please say that again?

Mr. O'HARA. The basis for the charges is either acquisition cost, replacement price if it must be replaced, and new procurement cost if it is procured for this program. Repair and rehabilitation costs in the case of excess items are excluded.

Mr. VORYS. But this is cumulative.

General SCOTT. That is correct.

Mr. VORYS. This is everything that has been done, and you think is going to be done, through fiscal year 1952.

General SCOTT. The yellow is what you add on to it for 1952. You add the 1950, 1951, and 1952 programs, and you get your total.

Your 1950 program for vessels was this. You add this much more for 1951 and this much more for 1952.

Mr. VORYS. What I do not get is whether, for instance, for vessels, whether that includes for vessels all that you have shipped and intend to ship for 1950? Is it a combination program of what you have done and what you expect to do?

General SCOTT. It is a program by years. It is money made available for a 1950 program. We have a 1951 program which has two parts--the regular and the supplemental.

Of the 1951 program, very little has been delivered. Then there is a 1952 program.

So this is independent of deliveries. It is how we set up these programs and where the money goes. You can see that the major category, taking the three programs, 1950, 1951, and 1952, on aircraft and aircraft equipment, is hitting around about \$3 billion.

Mr. VORYS. Could I ask just one more question? You have a request for \$6,200 million. Is that what it is this time?

General SCOTT. 6.3 approximately, including administration.

Mr. VORYS. So we are looking at the chart, and that is \$7,066.4 million for 1950 and 1951. That is \$1,685,200,000 for 1950, and \$5,381.2 million for 1951. Add to that \$6,300 million and we are looking then at a \$13,366 million program. Is that correct?

Mr. FULTON. It could not be from the figures that are there.

Mr. VORYS. That is what I mean. We have all these lines there, and I am trying to figure out what it is.

Mr. EFRON. The total for matériel is about 12.7.

General SCOTT. I get 12.6 roughly, including the excess.

Mr. VORYS. I took it out of the book here just now; 1 billion 685.2 was 1950. Is that right?

Mr. O'HARA. Yes.

Mr. VORYS. 5 billion 381.2 is budgeted for 1951, and 6.3 billion is budgeted for 1952.

Mr. O'HARA. That includes administration and packing, handling, crating, transportation, and training.

Mr. VORYS. Surely.

General SCOTT. Matériel is 12.6.

Mr. VORYS. How much?

General SCOTT. 12.6 or 12.7. Around that.

Mr. VORYS. So out of the whole business there is \$766,400,000 that has been or is going to be spent for administration and training? I am subtracting 12.6 from 13,336.4, which are the budgeted figures, and the only ones I can find.

Mr. O'HARA. Administration does not include very much in comparison with the total of the program. It is a low percentage. Train-

ing is not much more than the administration over-all. There is a large cost, however, for packing, handling, shipping, and crating. Preparation for overseas shipment is an expensive thing, and then the shipment itself. That shipment itself is a large item of expense. On most items it runs somewhere around 15 percent of the value of the item, that is, the cost of packing and crating for overseas shipment and shipping to port and shipping overseas.

Mr. FULTON. Could I point out to you on that chart that I think the figures shown on the chart do not make 12.6 billion. The chart shows approximately 11.4 and there is obviously 1.2 then that is unaccounted for by those chart figures.

Mr. O'HARA. That 1,150 is the proposed excess limitation. It is \$700,000,000 in the present program and an additional \$450,000,000 proposed for the coming one.

Mr. FULTON. So that actually is 1,450?

Mr. O'HARA. It would be \$1,150,000,000 if the acquisition cost of the excess were added to the material charges.

Mr. FULTON. That is correct, but on the chart there it is \$11,450,000,000 total.

Mr. O'HARA. Correct. The acquisition cost of excess is excluded from the charges.

General SCOTT. I wanted to bring out the point that the largest item is aircraft and aeronautical equipment. The second largest item is tanks and combat vehicles. The third largest item is ammunition. The least item is small arms and machine guns.

I can give you that breakdown any way you want it, Mr. Vorys.

Mr. VORYS. Aircraft is tactical, I suppose, is it not?

General SCOTT. Correct. There are some trainers.

Mr. VORYS. Yes.

General SCOTT. And transport aircraft.

Mr. VORYS. Now, that would look as if it is not proposed that they go in very strongly for aircraft. Is that right?

General SCOTT. The European nations?

Mr. VORYS. Yes, sir.

General SCOTT. Yes, sir. They go in very strong for it.

Mr. VORYS. What would be their proposed amount?

(Discussion off the record.)

Mr. VORYS. Have you there how much aircraft they are to have in dollars?

General SCOTT. I hesitate to answer that question. I understand there is considerable study now going on with the air chiefs of staff of the NATO countries, arriving at air contributions by countries and aircraft production authorization programs.

(Discussion off the record.)

Mr. VORYS. Annual production you mean?

General SCOTT. No. That is full production.

Mr. VORYS. You mean that is what they have got to do?

General SCOTT. That is what they are planning to do by 1954.

Mr. HALABY. Could I comment on that, General Scott?

General SCOTT. Yes.

Mr. HALABY. You were asking for production of aircraft in comparison with this end-item delivery, were you not, Mr. Vorys?

Mr. VORYS. I thought at some time or other we were going to get a figure of what we would put up, and figuring it the best way you can

in dollars, what the European nations would put up. I thought maybe we were going to have that at some time or other, are we not?

(Discussion off the record.)

Mr. VORYS. What I thought was that since you had the total, that you are going to give us at some time, we might be able to get the aircraft figure now. If you do not have it, all right, but I thought if you had the totals you would know what went in to make up the totals, and we could just say aircraft.

(Discussion off the record.)

Mr. VORYS. Is that right?

General SCOTT. Yes, sir.

Mr. FULTON. You mean, give us the whole program over-all so that we see the whole pie and then show how those countries share in the various programs, divided as to years—1951 and 1952—in each of those categories, and then you have the whole over-all situation.

Mr. VORYS. Yes. If you do not have it, do not stop now, but go ahead.

Mr. HALABY. We will be giving you in the further ECA presentation figures concerning the categories of their production for fiscal 1950, 1951, and estimated for 1952.

Mr. VORYS. I thought if you put a comparable chart like this opposite ours, we would be able to see that the United States is going to do the lion's share of producing aircraft. However, when you would look down at small arms, and that is the smallest thing on there, you would see a pretty long line of small arms that Europe is producing, and that sort of thing. The two would roughly supplement each other in making a fully rounded program.

I would hope that is the way it would come out.

General SCOTT. That chart there gives you the breakdown of the major items of equipment in the proposed 1952 program. That is confined to the 1952 program and gives all countries, including titles II and III. It is broken down into various categories. There are vessels, aircraft, tanks, combat vehicles, small arms and machine guns, motortrucks, artillery and naval guns and ammunition, small-arms ammunition, and artillery and naval ammunition.

(Discussion off the record.)

General SCOTT. Those are small vessels.

Mr. VORYS. What kind of vessels would they be?

General SCOTT. I will ask the Navy to answer that question.

Commander HOFFMAN. They are mostly landing craft, sir. LCM-3's and LCVP's. They are used up the river in landing soldiers and to patrol river waters. That is the type of vessel that makes up the bulk of vessel aid for Indochina.

Mr. VORYS. Are those all excess, the kind you are talking about?

Commander HOFFMAN. No, sir. They are not.

Mr. VORYS. They are up to date?

Commander HOFFMAN. Yes, sir. They have been taking them out of service stocks, but I think the Navy may have to go into procurement of them in the future because they do not want to let our reserves of them get too low.

Mr. VORYS. And that same sort of thing would be useful in the Philippines, I suppose?

Commander HOFFMAN. Not necessarily, sir. It is a little different type of vessel than we envision for the Philippines.

General SCOTT. I might state these figures are constantly under revision and adjustment, as we get information from the various countries. When we find they can produce an item in the program, that item is eliminated.

Mr. CARNAHAN (presiding). Are there any further questions on this chart?

Mr. VORYS. This is probably the first, last, and only time we are going to look at this. I realize it is highly secret. Maybe you fellows have digested it already, but I was hoping we could study it for a few minutes. I do not want to detain the committee and I can do it separately.

Mr. CARNAHAN (presiding). I want to say that when we finish with the general we are going to adjourn until 2:30 this afternoon.

(Discussion off the record.)

General SCOTT. That is millions.

Mr. VORYS. Millions of rounds?

General SCOTT. Correct.

Mr. VORYS. Is not small arms ammunition the kind of thing they ought to get to producing? I do not mean the French particularly, but over there?

General SCOTT. That is correct. They should get more and more into it, but in order to get the forces equipped and combat-ready at this time, the MAAG indicated this ought to be produced in the United States.

I would say in general we should get out of that picture more and more as the Europeans get into it.

(Discussion off the record.)

General SCOTT. Yes, sir. The same thing applies. That applies to motortrucks too. We are cutting down more and more on trucks, but we have a very serious problem of standardization.

Mr. VORYS. In that stockpile item, is that going to be under General Eisenhower?

General SCOTT. I am glad you brought up stockpiling.

Mr. VORYS. It is quite an item.

General SCOTT. Yes. It is a very important item and I have failed to mention it. The country programs are all based on the forces that the countries have agreed to raise during the calendar year 1952. In other words, that is Ike's army.

This item is a stockpile. The amount of it runs about \$500,000,000, as I remember. That will be on the next chart. That stockpile is there for many purposes. We are trying to get the countries to make more commitments than they have accepted for 1952. There is pressure all the time to get them to accept more aircraft units and more army units and more naval units in order to try to meet the requirements.

We have arranged our program based on commitments, but we are trying to get them to increase those commitments.

(Discussion off the record.)

General SCOTT. Moreover, this is a general pool for meeting various purposes.

Mr. VORYS. Will you have warehouses?

General SCOTT. No, sir.

Mr. VORYS. Is that stockpile going to be in this country?

General SCOTT. In this country, but it really will not be a physical stockpile. This is a bookkeeping stockpile. It will not be stored separately from our own stocks, but can be collected in a short period of time. I would rather have somebody from the Army speak on that.

Mr. VORYS. Let me say that I visualized that, out at Fontainebleau there would be a lot of shanties, full of stockpiled equipment, and they would say, "If you European fellows speed up, just come and get it."

General SCOTT. No, sir.

Mr. VORYS. It is not that kind of a stockpile?

General SCOTT. Colonel Burgess can answer that. This should be off the record.

(Discussion off the record.)

Mr. VORYS. As I understand it, all of those items of equipment are exactly the same as we are producing for our own forces, with extremely small exceptions.

General SCOTT. They are all for the same types as for our own forces.

Mr. VORYS. I understood there were some exceptions in electronics, or communications, or something like that. Dollarwise, could you tell us what that would be?

General SCOTT. No; but I would like to have the Air Force speak on that point. The panels of the aircraft and certain instruments, of course, are undoubtedly different from theirs.

Mr. VORYS. The language panels and the markings are in meters and kilometers, and so forth.

General SCOTT. That is right. The aircraft are just the same, but it is just a question of different instruments.

Mr. VORYS. I have seen them turn over a boat, for instance, to the Italians, and the question was whether it was easier to teach the Italians enough English to read those things, or to change the labels. However, we have a stockpile which they are working on downstairs, which is contemplated, of \$60,000,000,000 of similar stuff programed for next year.

General SCOTT. For next year?

Mr. VORYS. The armed services appropriations. If they get what they are asking for it will be about \$60,000,000,000 worth of this same sort of stuff, which would be way above the billion that you have signed up as a bookkeeping transaction.

General SCOTT. You are talking about the stockpile in the services?

Mr. VORYS. Yes. I say we have a stockpiling of the kinds of ships, planes, tanks, and so forth, that we are producing, and that that is physically stuff that could be put into this program; is it not?

General SCOTT. Undoubtedly they have a real purpose for it themselves, that is, the services.

Mr. VORYS. Yes.

General SCOTT. This has a purpose also.

Mr. FULTON. This could be off the record.

(Discussion off the record.)

Mr. VORYS. I would like to ask you a question first as to appropriations.

As I understand it, the appropriations for our own defense materials are made to the Defense Department. Is that correct?

Mr. O'HARA. Yes, sir; and to the organizations within the Department. They made it to the Ordnance Department of the Army.

Mr. FULTON. Would that apply to the Department of State?

Mr. O'HARA. No.

Mr. VORYS. Now, as I understand it, while in the authorization act we say there is authorized to be appropriated to the President for MDAP so much money, it is actually appropriated to the Department of State.

Mr. O'HARA. No, sir. The money is appropriated to the President. The President has designated the Secretary of State to act for him in allocating the money. All the money for the mutual defense assistance program, therefore, comes by allocation to the Department of Defense from the State Department, and that makes the difference from the money you referred to previously, which is appropriated for our own Defense Department.

Mr. VORYS. That is right. Now, as to materials. As I understand it, the defense appropriation for our own forces that is being worked on downstairs now contains a proposal for \$34,000,000,000 of hard goods. Is that correct?

Mr. O'HARA. That is approximately correct.

Chairman RICHARDS. \$34,000,000,000 of what?

Mr. VORYS. Of durable goods, or hard goods. There is a lot there for troop pay, and all kinds of things like that, but \$34,000,000,000 of it is for hard goods.

There are \$5,794,200,000 of the present authorization—the MDAP appropriation authorization—that is to go into hard goods. Is that correct?

Mr. O'HARA. That is proposed in this.

Mr. VORYS. Yes. That is the proposal.

Mr. O'HARA. Yes.

Mr. VORYS. That is not a secret figure, because it has been given out.

Mr. O'HARA. Yes.

Mr. VORYS. So that we are over \$40,000,000,000 in proposed hard goods. Then there is a request for \$500,000,000 additional for the reimbursable aid, which, if used, would be another addition to the hard goods.

Mr. O'HARA. That is correct, sir.

Mr. VORYS. Now, the United States was producing hard goods at the rate of \$34,000,000,000 for this year. We produced \$22,000,000,000 in 1944 at the peak of the war.

Has somebody figured out where in the world, with all the good will in the world, if we give you all the dollars you ask for, you are going to double substantially the hard-goods production of the United States in the coming year?

Mr. O'HARA. The amount that is requested for appropriation for military hard-goods production includes in it the expenditure basis because of the fact that it must include contract order time and contract lead time. In other words, our system of appropriation makes it difficult, incidentally, in comparing it with European production and European budget figures. Our system, as we appropriate funds, and as we account for funds, is on the basis of contracts and what is placed, and not on the basis of goods produced and delivered. The expenditure basis which is used generally in Europe is definitely related to deliveries and expenditure.

The military hard-goods production which is being contracted for, which includes, incidentally, a resurvey of all that which has previously been appropriated and not yet spent, whether it has been obligated or not, is being examined constantly and reexamined by the military departments who are drawing up what are known as production schedules, showing which plants and to what extent in each of those plants production is planned with the funds to be appropriated, and at what time deliveries will come from those plants, relating that to the tool situation in those plants, and the additional tools that would be provided, and to the basic plant capacity, and the time in which it can be achieved.

Now, all of those production requirements, those for the military departments, those for the mutual defense assistance grant-aid program, and those for reimbursable aid are included in the production schedules which the services are drawing up, and through the Munitions Board and the Defense Production Agency, are having a review for feasibility and the practicability of their realizing that production.

I would like to say on those that have been submitted there has been shown an ability in the United States to produce that justifies the rate of appropriation that was requested. That exercise was one of the things that determined the submission of the military budget this year. It was determined what could be produced before that budget was submitted.

Mr. VORYS. Well, perfectly obviously, you are not going to produce in fiscal 1952 any forty-odd billions of hard goods.

General SCOTT. That is right.

Mr. VORYS. That is one thing that is clear.

Mr. O'HARA. Correct.

Chairman RICHARDS. I want to ask a question there before you finish.

Mr. VORYS. Yes, sir. I have one more question.

Chairman RICHARDS. Go ahead and finish.

Mr. VORYS. I want to know whether you could give us the average lead time on the program down there or on this program?

Mr. O'HARA. Sir, it varies very widely. Generally speaking, there is a lead time beyond the fiscal year that averages somewhere in the neighborhood of 8 months. In other words, deliveries are provided for over-all on the whole field of hard goods, which includes some semisoft, that runs to an average of about 8 months beyond the end of the fiscal year.

In addition to that, however, there are special categories in which that lead time is much greater, especially in strategic aircraft and in many types of tactical aircraft, and in electronics and other things that require a considerable amount of subcontracting. Tanks run substantially over that period, but much lesser period of time than they had at an earlier date in our production schedule. That is generally the story.

Chairman RICHARDS. General, I want to ask you a question along a little different line. You have heard a number of witnesses testify and many questions asked.

What I want to know is this: I want to get your opinion with regard to the organizational question of this mutual-assistance bill we have here. There are military end items. There is economic aid for mili-

tary production. Then there is economic aid, as such, but about which I am not asking you.

You have legitimate economic aid and legitimate military aid. There is economic production—that is, aid that might help the economy, or it might help the military. Nobody can say whether it is military aid in itself, or whether it is economic aid in itself, or should be so designated.

What do you think about putting all the strictly military-aid items in the defense of the United States and let it be part of our production line, and let it be sent over there by the Joint Chiefs of Staff, or sent to General Eisenhower to distribute as he sees fit in the over-all plan. Then have an over-all administrator.

I am not asking you about point 4. I am not asking you to express an opinion about economic aid. But as to economic aid for military production and the aid that may be either economic or military in character, how about putting that under it too? There you will have everything except straight out-and-out military-end items. Do you not think such an organization could function effectively so far as the military features of this over-all program are concerned abroad?

General SCOTT. I do not think there is any question about the fact that the Department of Defense, if appropriated the funds directly, could carry out the military aspects of MDAP, that is, procure, store, move and distribute, and carry on the training programs that we now carry on. However, to me there is a very, very close relationship between the economic support, if it is going to be carried on properly, and the military end-item programs. They supplement or complement one another. They are very closely related. The more we can get Europe in production, the less our end-item program should be. The less Europe gets in production, the more our end-item program is going to be. So that any organizational system set up has to insure the coordination of the military end-item program and on the economic support of the military effort.

As you stated, there are several different kinds of economic support. One of them is direct support of the military effort. We are interested, of course, in that aspect of the economic support.

There are many other types that are necessary to the sound economy of the country. The economic support ties directly into the production program of the country for their armed forces, and what they produce affects what we ought to produce and what we produce affects what they ought to produce.

So I would say in considering the problem of reorganization that we have to remember there is a military aspect, an economic aspect, and a political aspect of the problem.

Two of those aspects require operating and administrative control. One is economic, and the other is military. I think there will always have to be these two operating agencies. I do not think you can combine them effectively. I do not think that a satisfactory job could be done if both were combined in one agency. There will be a loss of efficiency and effectiveness unless the military operation remains under the military, as it is now. Whatever organization we set up, whether we keep the present one, or whether a new agency be created such as the Mutual Security Agency, or whether you turn the money over to defense, coordination of the military and economic aspects is an essential function which must be performed.

Chairman RICHARDS. It all depends on coordination and cooperation between the departments of the Government. If you can get that now you can get it then under the new organization.

As to the handling of these programs in the House, the only difference between them is that you are going to make an estimate for end items and go before the Armed Services Committee and ask for it. The rest of it would then come to this committee under that plan.

General SCOTT. Yes, sir.

Chairman RICHARDS. You would ask for that; that would call for liaison and synchronization. The whole operation, as it is now, depends on that.

General SCOTT. Yes; but I think in the consideration of appropriations in future years you are going to have to consider them, that is the military and the economic, together. I do not see how you are going to separate them because they are really related.

As I said before, what is produced in a country in Europe affects what ought to be produced in the United States. They are complementary.

Chairman RICHARDS. Right there, one of the things that bothers me about that plan is this: Suppose Belgium decides it can produce a 75 gun, or a bazooka, or a machine gun, or a tank. Then it is decided that Belgium furnish these weapons to others. Now that is end-item stuff. Ultimately that is what we want them to do for their own troops anyway.

General SCOTT. That is correct.

Chairman RICHARDS. One phase of the program being so dependent on the other, where would you draw the line? As to whether that can be done, I have not made up my mind. Some of the members of this committee think it definitely can be done. I do not know.

I am not talking about economic aid. However, if we have to keep these programs separate without trampling on the Army, Navy, or Air Force, that raises a different problem. I do not care if it is the best job in the world from an administrative standpoint, you are bound to trample on somebody's toes, and you always dynamite some of their preconceived ideas as to what ought to be done.

What I want to do is get a military viewpoint on that. I gathered from what General Bradley and Mr. Acheson and General Marshall said that things are running along pretty well, and it might be better to leave well enough alone. We understand that. You never had a unified defense program down here because things were running along pretty well and we have been rather successful under the other methods. But, we have not been successful enough.

General SCOTT. I think the Department of Defense's view is that many different types of organization could do this job. Which one is the most effective is the point you are bringing up. That is, how can we give the Government the most efficient service.

Chairman RICHARDS. That is right.

General SCOTT. You can turn the military funds over to the Defense Department. You can appropriate the funds direct to Defense. We can implement the military programs and we can cooperate and coordinate with other agencies in order to do an effective job; or, as you mentioned, you can put the \$6.3 billion in the service budgets. I doubt the wisdom of the latter since Defense would have to organize

to handle the foreign military aid funds separately in order to attain our objectives in Europe and other areas.

A point I want to bring out is this: The need for coordinating military and economic programs. Let us take the 1953 programs. When we go to the countries we are going to say, "We want you to give us your deficiencies for the forces that you are going to have in being in 1953." They then come up with an equipment list based on the forces they say are going to be in being. This equipment deficiency list contains all the items that the country must have in order to make the forces in being in 1953 combat effective.

The MAAG reviews the list as does, also, the ECA mission. They should arrive at two lists. One list should be the items which they cannot produce themselves, or they cannot produce in time.

The second list is I call the indigenous production list—what the country can produce. But the country cannot produce these items without assistance from the United States in the way of raw materials, and machine tools, and so on.

The more we spend on the economic side, the less we spend on the military.

Chairman RICHARDS. Of course, you always have a right to turn some money back to the Treasury of the United States that you did not need because you got them to do something over there; but, of course, that is not often done, is it?

General SCOTT. In our present situation the requirements are so far beyond what we are providing that it is not an issue.

Chairman RICHARDS. General, it is 1 o'clock, or a little after 1. We have to be back at 2:30.

Mrs. KELLY. Could I ask a question?

Chairman RICHARDS. Mrs. Kelly has not had an opportunity to ask a question. Mrs. Kelly.

Mrs. KELLY. This program has really just started. What I want to know is whether the military end items now in production are good enough at the present time so that they will not be declared in surplus or in excess next year, or in subsequent programs?

General SCOTT. Well, we do not declare anything excess until it is, in fact, excess as a result of improvements, or because of the fact that we have too much. Incidentally, I do not think there are very many in that category left.

Mrs. KELLY. Are there any?

General SCOTT. Well, you have some propeller driven aircraft that cannot be made available to other countries until they get jet aircraft. The impression might be that we generate excesses in order to make it available and replace some of the items of equipment in our own forces. We do not do that. It is a natural generation that comes through improvements.

Mrs. KELLY. In other words, you would still produce that item with the contracts out, even though we cannot use it?

General SCOTT. We do not produce an item that we do not use.

Mrs. KELLY. Maybe I used the incorrect term. If you have aircraft contracts outstanding under this 1951 program, and if under the 1952 program you do not want that type any more, would you permit the production of that aircraft so that you could send it to some other country?

General SCOTT. I would like to have Colonel Klein answer that question applying to aircraft, as he knows the details of it.

Mrs. KELLY. I just took aircraft as an example.

General SCOTT. It is a good example.

Colonel KLEIN. To answer your question, Mrs. Kelly, we are not producing any aircraft at the present time or any components or spare parts that we do not visualize an immediate need for as soon as it comes off the production line. It is all modern equipment that we are producing.

Now, the only obsolete aircraft we are providing is excess to our mobilization requirements. Those, you see, we are not producing. But when we do supply those aircraft to the various countries we are obliged to produce a certain amount of spare parts for them. If we do not have the spare parts in stock, we have to produce a certain portion of them. Those spare parts will be utilized and required as soon as they come off the production line. When it comes time to convert to modern aircraft—you see, we have the old, conventional type aircraft that are still useful in these countries that are not ready to take jet aircraft—but in years ahead there will be a conversion period and, if the program continues, we will have to provide jet aircraft.

Does that answer your question?

Mrs. KELLY. Yes, Colonel Klein, I thank you.

Chairman RICHARDS. The committee stands adjourned until 2:30 this afternoon.

(Whereupon, at 1:18 p. m., the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:30 p. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen: We will continue the hearings by calling on the first witness this afternoon, Hon. George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

Mr. Secretary would you have a seat here? Do you have a written statement that you want to read?

STATEMENT OF HON. GEORGE C. MCGHEE, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN, SOUTH ASIAN, AND AFRICAN AFFAIRS

Mr. MCGHEE. I have a written statement here, Mr. Chairman. I hate to take up your time by reading it.

Chairman RICHARDS. We have had a good many statements. If you care to touch on the high points and put the whole statement in the record, I am sure that will be all right. You may proceed as you wish.

Mr. MCGHEE. To save your time, Mr. Chairman, suppose I put this in the record, because it is rather lengthy.

Chairman RICHARDS. Without objection that will be done.

(The statement referred to is as follows:)

STATEMENT BY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN, SOUTH ASIAN, AND AFRICAN AFFAIRS, MR. GEORGE C. McCHIEE, ON THE MUTUAL SECURITY PROGRAM

The Near East and Independent Africa

With your permission, Mr. Chairman, I should like to discuss the Near East and African area, which includes Greece, Turkey, Iran, Israel, and the Arab nations; and Libya, Ethiopia, and Liberia. We propose a program for grant economic assistance to these countries, indicated on the accompanying chart, and grant military assistance to certain of them.

Those of us appearing before you will be working as a team in presenting this program, and I should like to explain how the team will work. With your permission, I shall attempt to present the Executive's view on the region as a whole and the over-all rationale of the proposed military and economic programs. Special reference will be made to the economic programs for the Near East countries which have not hitherto received ECA assistance.

Admiral Duncan will discuss the military and strategic significance of the region, and he and his colleagues from the Department of Defense will be responsible for the justification in detail of the military program.

Mr. Foster and his colleagues in ECA have dealt with the economic program of assistance to Greece and Turkey and the relationships of these economic programs to the military programs in these countries. ECA has, of course, a long and successful record of operation in both countries.

Mr. Bennett, the Administrator of the Technical Cooperation Administration of the Department of State, will deal with those elements of the economic program that specifically pertain to the operations of his Administration, and will relate the programs of United Nations technical assistance to the United States bilateral programs.

I should also like to file at this time statements from our political, military, and economic representatives abroad.

The sums involved in the program are considerable, amounting to \$415 million for military assistance and \$125 million for economic assistance. The Department would not support a request of this magnitude were it not convinced that the stakes are large and a major effort imperative in terms of our own national security.

First, a word about the area as a whole. The chart shows the area, with the exception of Liberia, to represent contiguous territories at the world's crossroads. It is bounded on the north by Soviet Russia or satellite states, and we are all too familiar with the pressure that has been exerted from the north on the border states. Aside from its importance as a route for land, sea, and air transport, the region contains one-half the proven oil reserves of the world, and its present production of oil accounts for a very large proportion of the current requirements of the Eastern Hemisphere. If no substitute were found for these oil supplies—and it would be very difficult to find a substitute—the industries in Europe would grind to a halt and the economy of many countries in the Far East which are of concern to us would be seriously affected.

Russia has traditionally sought to expand toward the south. It is obviously not in our interest to permit such a Soviet challenge to win by default. This is a reason why we present an expanded program of aid for the Near East to the Congress.

With your consent, Mr. Chairman, I should like now to take up the case country by country, endeavoring to describe the general background of the present situation and the program which is submitted for the consideration of the Congress.

MILITARY AID

Greece

Aid to Greece, which has been extended since 1917, first through the Greek-Turkish-aid program and later through the ECA and MDAP, has paid very satisfactory dividends. Greece has preserved her independence, and is now contributing to the principle of collective security and to the strength of the defense of the free world. Greece provides an example of effective action by the agencies of the United States Government pursuing a common policy, clearly defined. The economic program for Greece has been considered in testimony covering title I of the proposed legislation. I should like to take this opportunity to endorse the accomplishments of the ECA Mission in Greece and ex-

press the conviction that progress in Greece fully justifies the continued support of the Congress.

The population of Turkey is about 20,000,000. Turkey's large armed forces are backed by a substantial reserve. The combat effectiveness of the Turks has been steadily improving as a result of intensive efforts of the Turks, aided by the United States. During the past 4 years we have assisted the Turks in obtaining modern equipment, and in providing extensive training facilities, designed to enable the Turks to make best use of the equipment. This policy is paying off. Turkey has made an important contribution in Korea, where the Turkish brigade has lived up to the high tradition of Turkish military history.

We still have far to go, however, before the full Turkish military potential will be realized. If this is to be achieved, we must continue to assist in expanding local production of arms; we must continue our training programs, and we must continue to furnish equipment to the extent that our resources permit and the Turks can effectively absorb it. Hence we propose to carry on the program launched in 1947.

MILITARY AND ECONOMIC ASSISTANCE

Iran

We are proposing both military and economic assistance to Iran. The economic program proposed will amount to \$24,050,000. The military figure I should like to discuss in executive session. The two elements of assistance are interrelated and we are convinced, vital in meeting the critical situation there.

On the military side, it had been hoped that, with the successful accomplishment of the Greek Army in ridding the country of guerrilla forces, the size of the military establishment could be reduced, with a resultant decrease in the need for United States aid and benefits to the economy of the country as a whole. Because of Korea and the general trend of the "cold war," however, such a course is no longer possible. Accordingly, we must seek substantial military aid for the Greeks to replace supplies and equipment which are becoming obsolescent and to enable the Greeks to maintain the strength of their military establishments. The Greek soldiers are tough, courageous, well-trained; they have proved their fighting qualities both in the defense of their homeland and in Korea.

Turkey

Turning to Turkey, we can also point to a creditable record of accomplishment. We have learned to regard the Turks as staunch allies, determined to resist aggression from the north. The Turkish economic program, like that of Greece, is considered with the European economic program. ECA can look back on solid accomplishment in the work which it has done to assist the Turks in the development of their resources. ECA aid, supplemented by loans from the Export-Import Bank and the International Bank, has enabled Turkey to expand her capital plant in many directions. Turkish economic assistance is closely related to requirements for the Turkish armed forces; over a third of the Turkish national budget is devoted to defense.

The situation in Iran has, of course, given all of us the greatest concern in recent months. While over a period of time Iranian oil and Iranian oil-refining capacity could be replaced in the world markets, loss of this industry and its products to Europe and to the Near and the Far East would compel radical, costly, and difficult adjustments in oil production and oil marketing throughout the world.

That is one reason for our special interest in Iran. A further reason is the impelling fact that Iran represents a tempting bait to Russia in its effort to forge a chain of satellites around the Soviet periphery. Iran's loss to the free world would jeopardize the security of the entire Middle East, which is itself the gateway to south Asia and Africa.

We have seen in Iran the eruptions of pent-up nationalism. Although the Communists did not precipitate the oil dispute, the expertly organized and highly vocal Communist organization, the Tudeh Party, is attempting to aggravate and capitalize upon it. In this atmosphere there has been a political reaction in Iran against the British oil interests which has made more difficult an agreed settlement of the oil problem. Iran is heavily dependent financially upon the exploitation of its oil resources. Failure to work out an agreement with the Anglo-Iranian Oil Co. has already seriously affected Iran's economy and retarded implementation of Iran's 7-year development program.

The present situation is, however, a reflection of the fundamental weakness of the social and political structure of Iran. The bulk of the Iranian people

are poor, undernourished, and illiterate. Only through an improvement in basic living conditions can the Iranian people be given the means and the incentive to build a strong nation. Only a strong Iran can in the long run survive as an independent state and maintain its national integrity. In climate and in natural resources, Iran has been compared to California. If Iran's living standards even moderately approached California's, Iran would be a powerful ally in the free world. We propose to help Iran make progress toward a better way of life.

Military assistance to Iran has double importance. It strengthens the government internally by contributing to stability and order, and contributes at the same time to the integrated defense of the Middle East. A moderate-sized Iranian army, with modern training and equipment, should serve to deter any aggressor, and to prevent Iran from falling by default to Soviet subversion. Through our current Mutual Defense Assistance Program, we are supplying equipment and training as quickly as the Iranian military establishment can effectively absorb it. As the Iranians learn our weapons and techniques, they should be able to utilize larger quantities of modern equipment to advantage.

What we also propose, and believe to be as essential as military aid in the situation, is a concurrent threefold attack on the Iranian economic difficulties. I would like to make it clear that what we propose is in no way related to the present oil dispute, but was planned before the oil controversy arose and was directed toward overcoming Iran's more fundamental problems. We need to strengthen Iran and its ties with the west by giving the Iranian people tangible evidence of our support through a modest program of grants. This program must be flexible and designed to bolster up those elements in the country who are working to improve the social and economic conditions of the mass of Iranian people. It must be directed at the town and village level.

The village development and rural improvement program would be carried out in selected localities by teams of American technicians, working side by side with Iranian technicians who are already available, in the fields of agriculture, irrigation, education, and health. Work of this nature has been carried on with great success by the Near East Foundation, in Iran and other countries of the Near East. The proposed program would expand these activities and would direct them specifically to making better use of existing land and water resources. It would be attuned to Iranian customs. It is proposed that a considerable sum be set aside in this specific project for the purchase of modern equipment for demonstration purposes. The program would also include vocational training and would provide teams from the United States Public Health Service to direct programs of public health and sanitation.

Most commentators on Iran have noted the appallingly unhygienic system of water supply in the towns and villages where water for domestic use is drawn from open streams running down the village streets. The effect on the health of the people of such an inadequate and unsanitary supply is obvious. The illustrative program of assistance for Iran provides for assistance in the installation of simple but sanitary water-supply systems in selected towns. This program should make an immediate impact on the population thus aided. Once they have been proven practical these projects will undoubtedly be emulated by the Iranians themselves in other places.

Another way in which it is proposed to assist the Iranians would be in the improvement of their system of highways through the facilities of the United States Public Roads Administration. The record of the Public Roads Administration in assisting Turkey in building and maintaining that road network has been an eminently satisfactory one. This experience can be extended to good advantage in Iran. Iranian production and distribution of needed supplies within the country suffers from inadequate local transport facilities.

These basic programs would be supplemented by technical services of American engineers in preparing specific plans for major development of water resources, both for irrigation purposes and for domestic use in certain of the larger towns. The program also provides for import and sale of limited amounts of needed goods, as was done under the ECA program heretofore conducted in Europe and the Far East. The funds accruing from sale of such importations would, by arrangement with the Iranian Government, become immediately available for financing certain local costs of the projects which I have just described. It is hoped that the proposed program would be administered by the ECA, with a modest-sized ECA mission.

THE ARAB STATES AND ISRAEL

For the Arab states and Israel, there is proposed a regional economic program, regionally administered, in addition to a program of military assistance for the Near East. This program breaks into three principal segments: First, aid rendered bilaterally to the Arab states; second, aid rendered bilaterally to Israel, and third, aid coordinated by the United Nations for the Arab refugees from Palestine. This latter program has three facets: it represents aid to the refugees themselves, whose plight is a serious source of instability in the Near East; aid to the Arab states into whose economies the refugees may be integrated; and aid to Israel, whose future in the Near East will be difficult until there is a reasonable settlement of the refugee problem.

Throughout the preparation of this program we have kept in mind three primary considerations: First, the legitimate aspirations of all the peoples of the area, Christian, Jews and Moslem, on an impartial basis; second, their feeling, frequently expressed, that the West has shown little or no interest in their welfare; and, third, the importance of the continued independence of their countries to the security and peace of the free world.

THE ARAB STATES

The Arab states, if they are to play their proper role in the defense of the Middle East and are not to be lost by default to Soviet subversion, must be strengthened politically, economically, and militarily.

The economic background in the Arab states was fully described in the brilliant report of the UN Survey Mission to the Middle East which was headed by Gordon Clapp of the Tennessee Valley Authority. His mission was charged with determining the economic possibilities of the Northern Arab states, with special emphasis on the prospects of absorbing the Arab refugees from Palestine into the economy of the area. The report of this survey mission points out that the refugees themselves are a manifestation of the basic problems of the Middle East; that peace and stability cannot be achieved in the region until the masses of its peoples are able to enjoy higher standards of living than they do at present; and that, while the path to higher standards is a long one, such higher standards could be achieved through the development of the natural resources of the area.

These resources consist, in the main, of remote and unused agricultural land and potential water resources. To benefit fully from the opportunities offered by their environment, the Arab peoples require assistance, primarily in the fields of public health, agricultural extension and engineering. With such assistance, they can march forward to a better way of life. Without such assistance, they will become victims of subversion, or, at the best, passive spectators in the present world conflict.

In considering assistance to the Arab world, distinction must be made between those countries whose financial resources appear adequate to finance development through their own funds and those countries whose resources are presently inadequate. While to all countries technical assistance may be offered as a useful tool to promote their development, a strong case can be made for grant financial aid to those countries presently lacking in capital resources. Our illustrative programs for the Arab states are therefore weighted heavily toward Syria, Jordan, Iraq, and Lebanon. In preparation of the program, consideration has been given to the resources available to the various countries from the IBRD and the Export-Import Bank, as well as from private financial institutions. Advantage has also been taken of the experience of the UN refugee program, and the investigations of the banks' and of our own departmental officers.

Existing tensions in the area cannot be relieved unless these countries can be assisted in their programs of economic development. The problem of the Palestine refugees cannot be solved unless there are more opportunities for settlement and useful employment in the region. It is clearly impossible for local governments to find work for refugees from another country now within their borders unless their own citizens are employed to equal advantage. The proposed programs of bilateral assistance, therefore, are essential for the furtherance of United States objectives in the Near East, and should be considered as part of an integrated program of assistance for the area.

In working out proposed programs of assistance, the problem has been approached project by project. Illustrative projects are summarized on statisti-

cal tables available to you. We have placed the greatest emphasis on the increased production of food, and secondly, on improvement of public health.

It is proposed that the projects would be administered in concert with the local governments concerned in such a manner as to insure accountability by Americans for every dollar of appropriated funds, but always with the purpose of relying on local officials to carry out approved projects which have received the necessary local support. This must be a program of self-help. It must be directed at the grass roots to help better the living conditions for the masses.

This program is not a cash hand-out to governments. It is felt, however, that more assistance should be given in the poorer countries of the region, than technical assistance alone. It is hoped to build on the experience of the past, but to point to the future through demonstration projects for rural improvement and resettlement. To succeed, funds are needed to provide supplies and equipment and to undertake minor construction projects, looking toward the development of unused agricultural resources. This is especially true of Syria and Jordan. Only through such development of local resources can the outstanding issues threatening the stability of the Near East, including the issue of the Arab refugees from Palestine, be resolved.

PALESTINE REFUGEE PROGRAM

One year ago, the Congress appropriated funds for a United Nations program for Palestine refugees, which was designed to create a more favorable political and economic climate for a future solution. On this basis, the United States participated in the 1951 program to the extent of a \$27,450,000 contribution.

The Department now considers that, with the passage of another year and the partial abatement of some of the political tensions in the area, it can present to Congress proposals which show definite promise of a conclusion to this problem, a principal deterrent to peace and stability in this strategic area.

Quite apart from humanitarian considerations, abandonment of the Palestine refugees to their fate would result in the most serious consequences to the security of the whole Middle East. One need only consider the impact of 880,000 people on relief rolls in relation to the population of the neighboring countries—Israel, 1,400,000; Jordan, less than 1,000,000; Lebanon, 1¼ million; Syria, 3,500,000. Discontinuance of aid to the refugees would mark the end to hope of peace in the area, and of any opportunity for constructive influence by the United States or the United Nations in the Near East.

More positively, assistance to the refugees is an affirmative act which cannot fail to benefit Israel on the one hand, which has acknowledged its debt of compensation but lacks the means to pay it, and the Arab States on the other, whose economies and social and political well-being would be strengthened by the addition of the refugee population if the refugees were absorbed and reintegrated into local economies.

Relief

Direct relief must be continued for a further period. A sum not to exceed \$20,000,000 has been authorized by the General Assembly in December 1950 for direct relief purposes for the fiscal year 1952. This is a maximum which cannot be exceeded by the agency without special authority from the General Assembly. Rising prices may make an upward revision of this total necessary. The intent of the General Assembly was to keep relief costs at the lowest practicable level in order to make the maximum amount available for the reintegration program. Presumably the agency will not seek more funds for relief unless substantial price rises make it impossible to stay within the stipulated limits.

Reintegration

In the light of changing attitudes in the Arab countries, the Palestine Refugee Agency has proposed, and the General Assembly has approved, a program of reintegrating refugees into the economies of near-eastern countries. The object of the reintegration program is to move as rapidly as possible toward the permanent reestablishment of refugees on a self-sustaining basis so they can be removed once and for all from dependence on the UN for direct relief or temporary employment.

The energies and resources of PRA will henceforth be directed to working out with interested governments specific projects which will remove refugees from the breadlines and provide continuing employment. For the most part this will

involve projects for settlement on new lands to be brought under cultivation. At least 60 percent of the refugees are farm people. In urban centers, where expanded or revitalized business or industrial activity is stimulated, housing projects already initiated will be extended. But no projects will be financed from the reintegration fund except when requested by an interested government, and then only under conditions that guarantee the reestablishment of a specified number of refugees, and their permanent separation from the relief rolls.

Reintegration, however, will be a slow process. In the words of the Agency's report to the General Assembly, it is "a major undertaking to reintegrate the majority of over three-quarters of a million refugees, which may ultimately entail the expenditure of several hundred million dollars over a period of years. It should, at the same time, be noted that all expenditures under this fund will hasten the day when international assistance can be terminated."

Costs

Estimates prepared by the Palestine Refugee Agency indicate that the minimum cost for such resettlement would average at least \$1,000 per family for the 150,000 families concerned. Under the circumstances, action by the United States to authorize a contribution of \$50 million available for direct contribution to the Agency itself or to projects coordinated with the Agency's work is necessary if this program is to make a start toward settlement of the refugee problem. In this undertaking, it is hoped that other members of the United Nations will shoulder their share of the burden. Records of the program to date indicate that the United States share of the cost has been about 55 percent. This percentage may rise in 1952 and subsequent years, but every effort will be made to attract other contributions. I believe that our interest in the program justifies bold action and that other interested countries will follow our lead. Even if they did not do so, United States interests should not suffer as a result of inaction by others.

Our interests called for a clear definition of intent to see the reintegration program through to a conclusion, provided local governments remain cooperative in seeking this accomplishment.

ISRAEL

Israel has requested assistance from the United States to balance its international accounts. The nation is not currently self-supporting, and it has depended on three principal sources of funds from abroad to meet its international obligations: Donations from private donors in the United States, release of its sterling balances, and the proceeds of its line of credit with the Export-Import Bank which amounts to \$135 million. In a note submitted to the Department on March 22, 1951, Israel requested a grant for fiscal year 1952 in the amount of \$150 million. This amount is part of a 3-year plan for the future development of the economy of Israel, which will involve the settlement of as many as 500,000 additional immigrants. In its explanation of the magnitude of the requested grant, the Government of Israel refers to its heavy burdens for financing its military forces and the obligations assumed by Israel to compensate the Arab refugees.

In view of the fact that the Mutual Security Program would make possible a measure of military assistance to Israel, and the immediate requirements of the UN program for the Arab refugees, the Department has analyzed the requirements of Israel on a basis different from that presented in the note from the Israeli Government. We have attempted an analysis of the Israeli balance of payments in order to determine a reasonable measure of grant-aid for Israel, designed to enable the new nation to consolidate its economic position in 1952. The best financial information available to us indicates that there will be a gap of approximately \$23 million which would be met by the projected aid program.

This program which would fill the gap, is designed on a project basis to supplement those projects financed by the Export-Import Bank. These new projects could have formed the basis for further bank credit if such credit were available to Israel, which it is not. The projects involve the supply of needed equipment to settle farmers on the land, and to extend the system of irrigation to increase agricultural output. The illustrative projects shown also include assistance to industry through expansion of electric power and improved port facilities. All

components of the program are designed to increase productive facilities, especially food production. All are aimed toward Israel's urgent need to increase her exports and decrease her imports if she is to become a viable state.

The administration of the economic program

A regional administration of the programs for the Arab states and Israel is proposed, with headquarters located in the area. It is hoped by the establishment of such an office to attract top administrative and technical talent to operate the program; scattering of independent country missions throughout the area could not attract such talent. Furthermore, the economic problem in the Arab states is a regional problem, incapable of solution if viewed from the standpoint of a single country. Through this regional office appropriate coordination would be assured with the UN activities in the area, in particular the Palestine refugee program. This pattern by no means conflicts with the general administrative proposals presented for the program as a whole, military and economic.

THE MILITARY PROGRAM

Total military grant aid proposed for Greece, Turkey, and Iran is estimated in the amount of \$415 million for fiscal year 1952. It is proposed also that up to 10 percent of this amount be available for military assistance to other near-eastern countries, i. e. to Israel and the Arab states. Such assistance could only be furnished following the finding by the President that such a course is essential in the security interests of the United States. Assistance can be granted only following the receipt of satisfactory evidence that the aid will increase the ability of the recipient country to defend itself, and that such self-defense will contribute to the preservation of peace and increase the security of the United States.

In all candor I should like to say that it is now the Department of State's view that the President may well find it necessary to utilize this authority, if it is granted in the very near future. Events in the Middle East are moving rapidly. The United States cannot afford to allow the forces of neutralism and anti-western sentiment to gain any further ground, nor to allow these forces to be captured and exploited by international communism.

The Middle East is an important pivotal area whose strategic importance was clearly demonstrated during the past two World Wars. The Soviet Union's intention of dominating the middle-eastern area is abundantly clear. This historic goal of Russian foreign policy was expressly stated in documents published relating to the negotiations between Nazi Germany and the Soviet Union in 1940. It is evident today in the efforts of the Soviet Union to play on the nationalist aspirations of peoples and to stir up animosity and hatred toward the free nations of the west.

We believe that it is in the United States interest to (a) preserve and strengthen the orientation of these nations toward the United States; (b) maximize the will of the governments and people in the Arab States and Israel to cooperate in resistance to the U. S. S. R. both now and in the event of war; (c) create political stability in depth for the benefit of Greece, Turkey, and Iran, and contribute to the stability of the area as a whole; (d) induce the countries to increase their indigenous defensive capabilities; (e) strengthen internal security; and (f) reduce area rivalries and tensions.

There has been an increasing belief, particularly in the Arab States, that the United States and other countries have no interest in helping those countries to prepare to defend themselves. This feeling is producing increasingly political disaffection. There are over 40,000,000 people in the Arab States and Israel. These people belong to the free world. Apart from economic and technical assistance, military assistance on a scale appropriate to their present capacity to make effective use of it would go far to prove that the United States does not lack interest in their continued independence and defense.

At the present time the armed forces of the near-eastern states, which total on paper over 200,000 men, are not in a position to do more than maintain internal security and offer token resistance to invasion by a modern army. Some of them, however, could, if properly equipped, participate usefully in defense of their territories and in protecting lines of communication and vital installations and facilities. Generally speaking, the equipment of these forces is old, inadequate, and heterogeneous, and the introduction of modern training methods

and a reasonable amount of up-to-date equipment is in most instances a condition precedent to their performance of any effective role in the defense of the near-eastern region.

In order to achieve our objectives, there should be initiated, where justified, a limited arms-supply program with early delivery of token quantities. Supervisory and technical personnel should also be furnished on request. General Scott is prepared to discuss this whole military question further.

Mr. McGHEE. The subject matter which I am to discuss is well known to your committee. I have discussed it a number of times before with you.

First, I would like to tell you about our method of presentation. We have here indicated on a map the area under discussion. Admiral Duncan is here representing Admiral Sherran. He will, following my presentation, discuss with you the strategic significance of this area. The details of the military testimony will be given by General Scott, who will discuss the specific programs of military assistance proposed for the countries of the area.

We have here representatives of ECA in the event their interests are involved. Subject to his return, Dr. Bennett, who is, as you know, in charge of the point 4 program in the Department of State, will discuss those aspects of the economic program in this area which affect his administration.

This group will act as a team in their presentation before you, as the other witnesses have.

Mr. Chairman, the amounts that are requested in connection with this program for the middle eastern area are sizable.

There is involved the amount of \$415 million for military aid and \$125 million for economic aid. This is over and above economic aid which has already been requested in connection with the European program for Greece and Turkey.

Chairman RICHARDS. What was the last figure?

Mr. McGHEE. \$125 million. Including the figures for Greece and Turkey, this total request aggregates in the order of \$900 million, almost a billion dollars. It is indeed, sir, a sizable request, and one which we would not request unless it were in the direct security interests of this country.

The programs which we propose, sir, have as the other side of the coin a deep humanitarian and altruistic aspect.

There is, however, basic to this program the security interest of this country, and we seek to justify every dollar on that ground.

Chairman RICHARDS. Have you any technical assistance figure?

Mr. McGHEE. The \$125 million, the economic portion of this program, which we seek to justify over and above Greek and Turkish economic aid, has a technical assistance component; in other words, a considerable portion of that \$125 million is for technical assistance.

That is thoroughly broken down, I believe, in figures submitted to your committee, showing which proportion of the \$125 million is for technical assistance, which is for the purchase of supplies and equipment, in some cases, in local currencies, in other cases supplies needed to implement the program.

This program goes beyond the point 4 approach to economic problems of the area.

Chairman RICHARDS. I do not think there is a figure in the record now on technical assistance.

Mr. McGHEE. I understand these figures are being submitted to the committee. Perhaps they have not yet been made available to you.

They indicate that of the total program some \$9,984,000 is for technical assistance in the form of United States experts going to this area; some \$3,151,000 as the cost of trainees and trainees coming to this country, and to institutions in other countries where they can be given training.

The remainder is for the purchase of services and material. The technical assistance portion is small dollarwise, but nevertheless is an important component of this program.

Mr. SMITH. Is that a lot of people, Mr. Secretary?

Mr. McGHEE. It is, Mr. Smith. This would involve some 800 technicians in this entire area. This area of all areas needs a very large technical assistance component if the material aid is to be rendered effective.

As you are aware, Western Europe and other advanced areas do not need so much emphasis on technical assistance.

May I proceed generally without going into the details of this statement? I do not have to outline the importance of this area. We have discussed that often in this committee before, and I am sure the committee is fully aware of it. There is nowhere in the world an area which has greater strategic significance.

The Middle East is the land bridge between three continents. It contains the Suez Canal which connects the Atlantic and Indian Oceans. Through this narrow belt of territory lying south of the Soviet Union must pass all the international airlines which traverse the area between Asia, Europe, and this country.

In addition, as you know, this area has a tremendous pool of oil in the Persian Gulf area, one-half of the oil reserves of the world. The Middle East is important, moreover, over and beyond itself. It is the cockpit, it is the approach, first of all, to the subcontinent of South Asia, to India and Pakistan, with their tremendous manpower and resources.

It is, and possibly more important, the means of access to the continent of Africa. Anyone who dominated the Middle East could easily have access to the riches of Africa. There could be no real resistance afforded in Africa itself.

Africa not only produces the manganese, chrome, copper, rubber, sisal, and industrial diamonds which we have long obtained there, but now uranium.

For the reasons which I have mentioned, the Soviet Union has long had designs on this area. One finds in the secret documents between the Soviets and Hitler in 1940 the clear indication that Russia desired as a sphere of influence in her deal with the Germans that area "lying south of Baku in the direction of the Persian Gulf," to quote the Russian note.

That means western Iran. Russia has always desired through the centuries, under the Czars and later under the Soviet rule, to come down and establish a sphere of influence in the area lying north of the Persian Gulf, and to have access to the Persian Gulf and the oil fields surrounding it.

That is why in the immediate postwar period pressure was put by Russia first on Iran and secondarily on Greece and Turkey, to probe this area for points of weakness to exploit.

Mr. Chairman, your committee is well aware of the action which this Government has taken in the postwar period to counter these Russian thrusts.

You are aware of the fact that we supported Iran in the Security Council. The Russians backed down. They removed their troops, which they had previously refused to do.

Azerbaijan was reoccupied by the Iranians and Iranian soil was freed of Russian influence. When Russia made her thrust at Greece through the guerrilla war, and the British found they could not cope with the problem any longer, this committee heard the presentations of the Executive setting forth the Greek-Turkish aid program, the Truman doctrine, which was our answer to the Soviet challenge in this part of the world.

Since 1947, when economic and military aid to Greece was initiated and military aid to Turkey, this country has expended some \$2 billion in aid to Greece and Turkey.

I contend, Mr. Chairman, that this money has been well spent. These two countries—rather than the weak points on the periphery of Russia, countries which could have been swallowed up and controlled by Russia unless we had reacted to the challenge—these countries have become strong points.

Mr. REECE. How is that divided?

Mr. McGHEE. The bulk of it has gone to Greece. Well over half. I would have to get for you the precise breakdown. We will give it to the committee.

(The material requested has been furnished for the executive session record.)

Greece, as you know, has required a much larger part of the economic assistance, and while she was fighting the guerrilla war, the larger share of the military assistance. More recently, the larger share of military assistance has gone to Turkey. Turkey has not required so much economic assistance because she did not have a war-devastated economy.

These two countries have been transformed from weak points on the periphery of Russia to the two strong points.

They have armies in being today that are among the greatest assets available to the free world. They could engage the enemy today if war came.

These countries support the principles of collective security in as steadfast a way as any countries in the world.

We have no occasion to worry about Greece and Turkey. They are willing to stand up on any occasion to be counted.

Mr. CHIPERFIELD. Do you mind an interruption? Do you feel Greece and Turkey should be in the NATO organization?

(Discussion off the record.)

Mr. REECE. I was about to make an observation concerning Turkey that I think is sometimes overlooked. At the conclusion of World War I Turkey, which had been dominated by a complete dictatorship for centuries, was a defeated and overrun country. Its currency was almost without value. There were few tangible material resources in Turkey. Turkey, without any aid from outside sources, pulled itself together and gradually evolved as a republic, sound and fine and got its finances in good shape without help from anybody.

I think that exceeds anything that has occurred in modern history, so far as a nation pulling itself up by its own bootstraps.

Mr. McGHEE. You are absolutely right. It was a heroic achievement. At the same time Ataturk laid the foundation for a democracy that emerged from a situation of complete domination by the Sultan.

Mr. REECE. It rose out of the ashes.

Mr. McGHEE. I would like to point out in this connection, because I believe it has a bearing on our request for assistance for the Arab refugees, that Turkey was greatly assisted in this period by the international assistance given to her and to Greece to effect their exchange of populations. I think that is, in a sense, representative of the problem in the Middle East. It was well that international assistance was available for that great number of refugees.

Mr. FULTON. Is your statement on Turkey the official position of the State Department?

(Discussion off the record.)

Chairman RICHARDS. Ladies and gentlemen, I think we can facilitate this matter by letting the Secretary finish his statement. Then every member will have an opportunity to ask questions.

Mr. McGHEE. I will try to make this brief. Otherwise, I will be taking longer than if I had read my statement.

Iran is a little different case. I am sure your committee is aware of the situation today in Iran. There is, unfortunately, not in Iran the unified spirit which exists in Greece and Turkey.

We propose for the third year to make a sizable investment in a program of military assistance to Iran. We wish to continue to give military equipment to Iran on as great a scale as we feel the Iranians can effectively absorb. Only last year, however, did we first propose extraordinary economic assistance to Iran.

The Iranians have had many problems, but not until recently did we feel that a basic problem was their lack of foreign exchange. This has been due to the oil revenues which they have received and which could have been larger in amount had they accepted the proposals made in 1949 by the Anglo-Iranian Oil Co.

We feel that the present oil situation in Iran, the present impasse between the Iranian Government and the British oil interests, should not deter us from our long-range objectives in Iran.

(Discussion off the record.)

Mr. ROOSEVELT. Mr. Chairman, can I make a procedural suggestion here?

Chairman RICHARDS. Mr. Roosevelt.

Mr. ROOSEVELT. I am sure as we go through a number of these countries, and in view of the recent event that is being announced by King Abdullah, and when the bill comes to the floor we will all be asked about it, so you will be asked about it now.

If you could give the current situation in Iranian oil, Trans-Jordan, as you go through would save a lot of time.

Chairman RICHARDS. Do you suggest—I want to follow the wishes of the committee in this matter—after the Secretary has made his initial statement on these individual countries that members be allowed to ask questions?

Mr. ROOSEVELT. I think it would be better to finish the whole thing, but bring in the current events problems as we go along.

Mr. McGHEE. Shall I assume that the current situation in Greece and Turkey are sufficiently well known so that they need not be covered separately?

As you know, the ECA has already justified the proposed economic programs in Greece and Turkey. We rely fully on the ECA. We consider the ECA accomplishments in Greece and Turkey to be among the outstanding achievements in their whole program.

The military assistance for Greece and Turkey will be discussed in more detail by Admiral Duncan and General Scott. So we come then to Iran.

I can report that the present situation in Iran is that Mr. Harriman is still in the midst of his talks with the Iranian Government, with the result as yet inclusive.

There was a report in the paper today which you may have noticed to the effect that the Iranians had agreed to receive a high-level British negotiator. I am not yet able to confirm this through official channels.

I suspect the report is a little optimistic. This, however, is an important objective of Mr. Harriman in his negotiations. We hope very much that this can come about.

(Discussion off the record.)

Mr. McGHEE. Mr. Chairman, I apologize for having taken so long.

Chairman RICHARDS. That is all right.

Mr. McGHEE. If there are questions, I would be glad to address myself to them.

Chairman RICHARDS. Go ahead to the next country. We will have some questions later.

Mr. McGHEE. We turn from Greece, Turkey, and Iran, which I often call the "shield" because they immediately underlie Russia, they protect the rest of the Middle East from direct Russian pressure, and in the event of war, they would be the ones attacked first. The countries underlying Greece, Turkey, and Iran are countries well known to all of you and particularly as countries which have tremendous problems.

The Near East, I think, is the subject of more discussion in this country than almost any other part of the world. It is an area of extreme interest to us for many reasons.

(Discussion off the record.)

Mr. McGHEE. Now, in addressing ourselves to the problems of this area and means by which they can be approached through assistance from this country, one finds many problems. Antiwesternism, neutralism and xenophobia are characteristic of at least some of the states of this area. One can analyze the causes of this. In many ways, I think that the roots of this antiwestern neutralism lie in a sharp reaction to the colonial era. These countries still feel that they are treated by the western countries, including to some extent our country, in a colonial way.

(Discussion off the record.)

Mr. McGHEE. As a consequence, we have addressed ourselves both in the military and economic field to overcoming this neutralism and building up this situation of military and economic strength.

(Discussion off the record.)

Mr. McGHEE. At the same time, we must address ourselves to the appalling problem of the Arab refugees which, as you know, is one

of the many relics of the Palestine hostilities. Over 880,000 refugees are living in tents and under deplorable conditions around the periphery of the State of Israel, with no hope up until now of settlement on any permanent basis. This is a problem which our Government has had to consider in the entire period since the Palestine hostilities. We have already given considerable assistance to alleviate this problem. Up to the present, however, we have not seen any clear way of assuring a conclusion of the problem in terms of getting these people settled so that they can maintain themselves and not continue to be the recipients of international charity.

For the first time we see a ray of hope for solution of the problem in the Arab States. They have agreed that they will permit resettlement on a large scale, if the United Nations will expand its existing relief program to include adequate funds for reintegration and certain other conditions are met. Sums are required which these States themselves cannot pay, to prepare land, and to build homes to make these people self-sufficient. Therefore, out of \$125 million requested for this area, including \$25 million for Iran, we are requesting some \$50 million for the Arab refugee problem. We feel that the solution of this problem is important not only to the Arab States but to Israel. Israel is committed to the principle of compensation to the refugees. As long as these Arabs exist in this unsettled state, they will be a threat not only to the peace of the area but to any hope of normal relations between Israel and the Arab States. This is important for all concerned, but particularly for Israel.

(Discussion off the record.)

Chairman RICHARDS. I want to ask one or two questions; then I am going around the table on the 5-minute rule.

Mr. Secretary, this bill is supposed to be a basic program for the security of the United States. Do you feel that equality of grants to the Arab States and Israel is calculated to serve the security of the United States?

(Discussion off the record.)

Mr. CHIPERFIELD. What was the figure that you gave for military aid in this area? I have \$412 million; is that right?

Mr. MCGHEE. No; Mr. Chiperfield. That figure is \$415 million.

Mr. CHIPERFIELD. I noticed that discrepancy and I just wondered about it.

(Discussion off the record.)

Mr. CHIPERFIELD. No further questions at this time.

Chairman RICHARDS. Dr. Morgan, we are under the 5-minute rule so we can give everybody a chance here.

Dr. MORGAN. Mr. Secretary, do you feel that the Communists did not precipitate the oil dispute in Iran?

(Discussion off the record.)

Dr. MORGAN. The Arab League was formed in 1945. Recently, in 1950, they had a collective security pact which was to be along military lines. What became of that security pact with the Arabs?

Mr. MCGHEE. It has never been ratified except by one country, Saudi Arabia. There is no evidence, however, that it will not be ratified by other countries and at that time it will, of course, have the effect of drawing them close together in military cooperation.

(Discussion off the record.)

Dr. MORGAN. Mr. Secretary, why did the Arab nations take a neutral stand in the UN? What is your opinion as to why they took a neutral stand in the Korean conflict?

Mr. MCGHEE. Dr. Morgan, some of the Arab States did not. Lebanon and Iraq voted for the resolution branding the Chinese Communists aggressors.

(Discussion off the record.)

Chairman RICHARDS. The time of the gentleman has expired. Mr. VORYS.

Mr. VORYS. I have been trying to get a breakdown on figures. I understand there are about 96,000,000 people involved in title II.

Mr. MCGHEE. Approximately.

Mr. VORYS. How many Jews are there in the area?

Mr. MCGHEE. The population of Israel is 1,400,000 of which approximately 1,250,000 are Jews. Of course, there are Jewish minorities in other countries but you refer to Jewish people in Israel.

Mr. VORYS. No; I was going to ask you how many Jews there are in the area and in the world and how many Moslems in the area and in the world.

Have you got that?

Mr. FULTON. Divided by saints and sinners?

Mr. MCGHEE. I will see how much of it we have and we will get the remainder.

I think there are 40,000,000 Moslems in the area and some 300,000,000 Moslem peoples in the world.

Mr. VORYS. And how many Jews in the area?

Mr. MCGHEE. One million two hundred and fifty thousand, plus those in the Arab States.

Mr. VORYS. That includes the Arabs, does it not?

Mr. JAVITS. In the Near East outside of Israel I suppose another 300,000, though emigration is going on to Israel all the time.

Chairman RICHARDS. You mean in this whole area?

Mr. ROOSEVELT. Eight hundred thousand in the northern part of Africa alone.

Chairman RICHARDS. Does the gentleman yield to the gentleman from New York?

Mr. VORYS. I yield to anybody that can give me the answer: How many Jews there are in the area and in the world and how many Moslems. We learned about Moslems.

Mr. MCGHEE. I am reminded that the Iranians are Moslems, too. If you wish to include Iran there are 60,000,000 Moslems in the Middle East out of the total in the world of 300,000,000. I will accept Mr. Javits' figure of 300,000 as being a reasonably accurate estimate of the Jews in the Arab States of the Middle East. The bulk of the Jewish people you refer to I believe are outside of this particular area, Mr. Roosevelt. They are in northwest Africa. I think the group in Egypt is around 80,000, probably 70,000 in Iran, 30,000 left in Iraq.

Mr. VORYS. What would happen with the Arab States and Israel, say, if we were to consider giving \$100 million for mutual national security—under mutual-aid pact based on ECA principles, and let those fellows divide it up? We would say "Out of the \$100 million you have to take care of those there."

Mr. MCGHEE. That is basically what we are seeking. As you know, the figures that are given as between the countries are illustra-

tive. There is a measure of freedom in subsequent allocations between countries.

Now, in many areas the figures are given as total and are not broken down. We felt that in this case it was necessary to break it down. We knew of the great interest that existed in this committee and elsewhere of the figures that would go to Israel. We knew of the interest in the figure which would go to the Arab States and to Iran.

(Discussion off the record.)

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. Mr. McGuire, let us talk about the area. Let us forget any one country. I think the area is more important to the United States than any individual country.

Mr. MCGUIRE. That is correct, sir.

Mr. RIBICOFF. What we are basically interested in, in this committee--we had a very interesting thesis put forward last night by Mr. Berle about the importance of this area for the long-range future.

Because of the importance of this area, do you think that \$100 million for this area is enough? Let us forget how we divide it up. Is that sufficient?

Mr. MCGUIRE. I do. I would like to explain why I say that. For the whole of the area we are discussing, for the Middle East as a whole, we are requesting some \$900 million.

To the \$100 million which you mention that we propose for economic assistance, there can be added up to \$40 million for military assistance, so that the total available in both types of assistance is \$140 million.

Mr. RIBICOFF. Now we come to the next question. What do you do? It is obvious that the Israelis want aid. They want it bad. We do not have to gloss that over. However, that is not true when you come to the Arab countries. We have had the incident of the Syrians saying they do not want any point 4 program in Syria. That was in the press recently. I understand that 200 families control Iraq and basically they are not interested in the program that would sort of lift up the peasants and the landless, to give them some land reform. What do you do? Do you take that money and throw it into the Red Sea or how are you going to get that money where it will help build up these Arab countries that do not want it?

Mr. MCGUIRE. It is a good point you raise because we have no desire to force our assistance on anyone. They must want it and be willing to cooperate in the utilization of it. It would not be effective in any other event.

I want to make one remark in answering your previous question before I address myself to this question.

When you consider the area in which this economic assistance of \$100 million and a good portion of the \$40 million will actually be spent, it is not the total area which Mr. Vorys has stated has some 95 millions of people. It is not the Middle East, the Arab world and Israel--which have some 40 millions of people. The bulk of the funds will be spent only in the State of Israel, Lebanon, Syria, and Jordan, which in the aggregate have only some seven millions of people. That is why I feel that this \$100 million in economic aid supplemented by such portion of the military aid as may be allocated, is adequate for that small number of people.

(Discussion off the record.)

Mr. RUTCOFF. Will \$50 million be enough to aid in absorbing the Arab refugees?

Mr. McGUIRE. The total absorption cost has been estimated at \$150 million.

Mr. RUTCOFF. If this will decrease and lower tensions, would it not be one of the best things we could do? If we are going to spend money effectively, let us talk about it.

Mr. McGUIRE. There is a limit to how much can be spent in a given year because rather large projects must be undertaken to settle 880,000 people, and the Arab States lack the plans and the capacity for carrying out these large projects. Therefore, we feel that \$50 million is all that can be spent the first year. If we could spend more, we would agree that it should be spent, because the sooner we can remove this tension, the better chances there are for peace. Moreover, the sooner the people can be made self-sustaining the sooner we can relieve ourselves of our share of the relief burden, which will cost some \$25 million a year for straight relief until the people can be settled.

You cannot prove that there is any final cure in this economic approach or that it will insure peace between the Arab States and Israel. I say that it will work in that direction. It will remove irritants which now stand in the way of peace, and of all the actions which are available to us at the present time this is the one most effective action we can take to bring about a condition which will make it possible to achieve peace.

Mr. ROOSEVELT. Will the gentleman yield a minute?

Mr. RUTCOFF. I have no more time.

Chairman RICHARDS. You have consumed your time and Mrs. Kelly's time, so Mrs. Kelly is out when we get down there, Mr. Roosevelt.

(Discussion off the record.)

Mrs. BOLTON. Syria also has a very good capacity for industrial increase and those who have been there know it is the most amazing place. In Aleppo we found their textile mills cleaner than many homes in this country. It is very interesting and a very fast moving into modern life country and should not be considered backward as most people are considering it. Anybody who has been out there knows that it is not that kind of country.

There was a sentence in the statement on this legislation that came up from the State Department which says: "There is no strong evidence of Soviet penetration in Israel." It would seem to me that the interpretation of such a statement would depend upon what you mean by "strong evidence" and what you mean by "substantial penetration." But when I was chairman of the Near East Committee in 1945-47, and was out in the area the Soviets had their pay-off station in Beirut; this center has now been moved into Israel, as you know.

Now, when the pay-off station is in a country, it would seem to indicate that this was rather convincing evidence of a certain amount and type of infiltration that had not existed there before. Suggesting an expansion that should be taken into account. I call your attention to it. I would like to learn something further about it merely so that we do not overlook, in our consideration of the whole area, whatever shifts of emphasis may be made. Nor should we overlook

such happenings as the fact that little things may have real bearing upon what the Kremlin is doing. For instance, one of the best Soviet agents, who was in Tehran in 1945 has been moved down to Ethiopia. That he is one of their best propagandists and never goes where they do not want something done and done well would seem to open up many questions of Kremlin designs on Africa. I hope that we shall have opportunity to go more fully into some of these matters.

I agree wholly with Mr. Ribicoff that everything that can be done for peace between the two groups is all-important to the peace of the world. That it can be done, especially from the outside, I am not so certain. I agree that all possible irritations should be removed. But there must be also a deep understanding of the psychology of the Arab countries. It must be clear to all who take part in any effort that the situation is extremely precarious particularly when there is great rivalry and no little enmity among the Arab states themselves.

I shall hope that before we are through with the consideration of this whole area in north Africa, Egypt, across to Liberia, that there may be consideration given to these deeper aspects of our policy in this great area.

Chairman RICHARDS. Mrs. Bolton, if you do not mind, we will go into that later. We will have unlimited questions as soon as this five-minute period is over.

Mr. Burleson.

Mr. BURLESON. You made reference, Mr. Secretary, to the difference in qualifications of personnel in Israel and most of the Arab nations. In applying technical aid, and technical assistance, I notice from these tables there is a difference between funds for the development of water resources in some of the nations. I understand water is all-important to most all of them.

Mr. McGHEE. That is correct.

Mr. BURLESON. If they do not have water, they are not going to have anything. I do not see anything any place for water resources for Libya, Iraq, Egypt, or Saudi Arabia. I believe there is something for Syria. Would you comment on that?

Mr. McGHEE. The Iraq Government is going to pay for their water-development program. They have reserved a \$12½ million loan from the International Bank for this purpose. The same is true in Egypt and Saudi Arabia. In Saudi Arabia, the Government has ample resources. Development of water requires considerable expenditures over and beyond technical assistance but the Saudi Government can pay for that.

Mr. BURLESON. Some of the oil companies have done considerable work in the development of those resources in Saudi Arabia?

Mr. McGHEE. That is correct. The Point 4 program also includes technical assistance for Saudi Arabia. However, we would expect the Government of Saudi Arabia to finance any large expenditures.

Mr. BURLESON. What do you mean by consumer goods? Syria, Jordan, and Iran, are scheduled for some \$9 million for consumer goods. What generally constitute these items?

Mr. McGHEE. This is an aspect of our assistance programs with which we have had considerable experience in southeast Asia. In the latter, for example, in order to obtain the local currencies required to

carry out projects for which dollar expenditures were to be made, such currency was obtained by bringing in needed consumer goods. This arises from the fact that the countries themselves just do not have the local currency available to make the necessary volume expenditure for labor, land, and other things required for the projects. That is why we have requested the authority to use some \$10 million out of the \$125 million in this request for consumer goods which will generate local currencies. If we were to limit our expenditures to dollars we would find that the government did not have the money to pay the local expenses and as a consequence the project would not get under way. At least in the initial stages of the program we felt it necessary to buy these needed consumer goods to get the local currency.

Mr. BURLERSON. What specifically are some examples of consumer goods?

Mr. McGHEE. Mr. Burler, anything that can be sold to the people. You would attempt to get nonluxury commodities which, in addition to producing local currency have a beneficial impact on the economy.

For example, if people needed clothes, then you might import clothes, not luxury-type clothes; you might buy work tools, if they needed tools and could pay for them. You would import hoes, plows, things of that nature and sell them to farmers. It would have a useful impact. By this process, local currency would be derived which could be used in getting the program started quickly.

Mr. BURLERSON. They would be things which by survey showed were needed—not things like refrigerators where no electricity was available or yo-yos or something of that sort.

Mr. McGHEE. That is correct, Mr. Burler. They would be needed commodities, which would produce immediate income for the building of a public road or a dam which ultimately will pay the economy but does not immediately produce local currency.

Mr. BURLERSON. Thank you very much.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. I want to associate myself, Mr. Chairman, with Mr. Ribicoff and Mrs. Bolton in their position regarding the necessity for making some move toward a reconciliation, if possible, in that area. I think it is so important.

(Discussion off the record.)

Mr. SMITH. To get out of the Middle East for just a moment, I would like to talk about Greece. What is the political situation in Greece? I raised that question because I have a great many Greeks in my district who have written me telling me that so far as political conditions are concerned, they are not good in Greece.

Mr. McGHEE. No. Probably they never were and never will be. The Greeks, you know, are highly political. Their governments are often unstable. They are the results of coalitions. The present Greek Government has cooperated extremely well with our Government. It is based on a coalition between the Liberal Party and the EPEK Party. As a coalition it has not been a strong Government, nevertheless, it has passed more effective legislation than in any other period since the Greek aid program was initiated in 1947, and very difficult legislation.

For example, legislation has been passed to force the Greek ship-owners to pay a large amount of taxes. The Government also had

to deal with labor problems on which it was difficult politically for the Government to take action, but the Government dealt decisively with these problems.

The present instabilities arise principally from the fact that elections will be held shortly in Greece, and everyone is thinking about those elections. There is an electoral law which is now being considered by the Parliament which will change the basis for the elections from the old proportional system to some compromise proportional system. This law will permit fewer political parties to get more votes. It is hoped in that way that one political party will emerge into a more predominant position so that there will be either majority rule by one party, or a stronger coalition, after these elections.

Mr. SMITH. Can you tell me what has been the increase, if any, in the standard of living of these Greek people since we have undertaken our program there? I think that is so important because I think it is directly related to the question of political stability or instability.

Mr. McGHEE. Surely. Mr. Smith, we did not seek greatly to raise the standard of living of the Greek people, but sought initially to restore the standards they previously enjoyed. Greece is different from the underdeveloped countries of the Near East in that she enjoyed a European standard of living. It was always on a precarious basis, but nevertheless a tolerable standard of living was possible with the earnings and remittances which she received. Her economy was devastated by the war.

We sought as our objective to restore it to its prewar levels. Unfortunately, it has not been possible for the Greeks to maintain such a standard without our support. However, it has been possible steadily to reduce the amount of aid which we never furnish to subsidize the Greek economy in order to achieve that prewar standard.

Mr. Porter, when he testified, indicated that last year ECA actually spent some \$30,000,000 less than had been budgeted, and that this year it is requesting \$38,000,000 less than that. As a consequence I would like to see any increase in standards beyond the prewar standards made up through reduction in our aid, rather than a further increase. If Greece could have security on the basis of her prewar standard of living, I believe the Greeks would have adequate incentives to play their full role in the free world.

(Discussion off the record)

CHAIRMAN RICHARDS. The gentleman's time has expired.

Mr. Hays.

Mr. HAYS. Thank you, Mr. Chairman.

Mr. McGhee, on some of the maps I notice Yemen does not appear. Is it completely autonomous?

Mr. McGHEE. Yes, it is, Mr. Hays. I will tell you why it is not clear. It is because the principal boundary is indeterminate. Its northern and southern boundaries are indicated here, but the boundary between Yemen and Saudi Arabia is undefined. Our Ambassador in Saudi Arabia, who is also Minister to Yemen, is visiting the Yemen right now. Yemen has a permanent Minister in Washington.

Mr. HAYS. Is Yemen a member of the United Nations?

Mr. McGHEE. Yes, sir.

Mr. VORYS. They sit next to us.

Mr. HAYS. Good. Then there is another country up in the north-east corner shown on some of the maps.

Mr. McGHEE. There is the independent sheikdom of Kuwait, which is a sheikdom whose foreign policy is controlled by the British Government.

Mr. HAYS. It is not autonomous?

Mr. McGHEE. Its foreign policy is conducted by Great Britain.

Mr. HAYS. In the northeast corner of Saudi Arabia.

Mr. McGHEE. Then there are several independent sheikdoms, such as Oman.

Mr. HAYS. Is Oman autonomous?

Mr. McGHEE. It is an independent sheikdom, but coming under the foreign policy control of the British Government.

Mr. HAYS. Is there any reason why it is not included in this list along with Yemen?

Mr. McGHEE. It is not a country with which we would normally have direct dealings. Our relations would be conducted through the British. The people there are actually nomadic to a considerable extent and do not have the needs of settled peoples. Some of these people are among the wealthiest in the world. The relatively small country of Kuwait has the biggest oil field in the world. Its income is so great that they ought to be assisting us, rather than us assisting them.

Mr. HAYS. I want to ask you about the possibility—getting back to the question asked by Mr. Ribicoff—the possibility of the great advances being made economically in Israel, making its impact on Arabic life. In other words, if the Arabs through trade participate in that economic advancement is it not likely to bring about alterations of attitude? What hope is there in that? Are there any trade barriers of a substantial character that would obstruct what I am speaking of?

Mr. McGHEE. No, Mr. Hays, and we greatly regret that there is not free intercourse between Israel and the Arab states, which would permit the Arab states to profit by the advances Israel has made.

Mr. HAYS. Then there are trade obstructions?

Mr. McGHEE. There is a complete trade impasse.

Mr. HAYS. They are not trading at all?

Mr. McGHEE. That is right. They have no trade relations. The only direct relationship is in the Mixed Armistice Commissions. We regret that greatly. We have pressed through the United Nations and outside for peace talks and for resumption of normal relations in the area. In the latter event we feel that the Arabs could benefit greatly from the increased technical knowledge of the Israelis.

Mr. HAYS. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. Mr. Secretary, I would like to ask one or two questions in reference to the summary table that is included in this book of data in reference to the whole Near East. You have used the term of \$100,000,000 of aid that we are proposing to give. Now, in the fourth column the figures add up to \$76,000,000. You probably mentioned this, but I do not have it clearly in mind.

Mr. McGHEE. Yes, sir. I am sorry that is not clear. It is complicated.

That figure includes Iran. If you recall, we indicated \$25,000,000, actually \$24,050,000, out of the total of \$125,000,000 was for Iran, but since that will not be administered as a part of the Near East program I have spoken of the remaining \$100,000,000 separately. So if you subtract from your \$76,000,000, the amount for Iran, and add the \$50,000,000 which will be allocated to the refugee program which is not included because it will be spent, or at least coordinated, by the United Nations agency, the result is approximately \$100,000,000.

Mr. MERROW. Oh, yes. You take out Iran's \$24,000,000 and add \$50,000,000 for the refugees and come out with \$100,000,000.

Mr. McGHEE. Yes.

Mr. MERROW. You used the term \$140,000,000 as the grand total. Does that correspond to the 138 and does that last column include what it costs these governments to administer the aid or help to carry out the aid we are going to give?

Mr. McGHEE. No, sir. The \$140 million is a theoretical figure in that it takes in the \$100,000,000 economic figure, plus the \$40,000,000 figure, which the President could give in military aid to Israel and the Arab states, if it were found to be in the national interest. The figure you gave is the total estimated cost in both foreign and local currencies of making good these projects, of which the dollar component is as indicated here.

Mr. MERROW. I see. Thank you.

Mr. McGHEE. That includes the sum which the countries concerned would be expected to put up themselves.

Mr. MERROW. In other words, they get \$138,000,000 worth of good out of this by putting up their local currencies?

Mr. McGHEE. That is correct. The cost to us would be \$76,000,000. The cost to them would be \$62,000,000. As you see, the total value produced would be \$138,000,000.

Mr. MERROW. That \$460,000,000 to Saudi Arabia you indicated, I believe, in one remark that maybe that is not necessary.

Mr. McGHEE. It is \$460,000.

Mr. MERROW. \$460,000. Excuse me.

(Discussion off the record.)

Mr. MERROW. Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Roosevelt.

Mr. ROOSEVELT. Mr. Chairman, thank you.

Mr. Secretary, I want to congratulate you on the very clear and brilliant statement you gave us earlier. I think one of the objections that has been voiced by various people to this program in the Middle East and also in the Far East is that we are approaching it from a sort of piecemeal year-by-year thinking, and in that way we are failing to get the enthusiastic support and understanding of those people of our long-range hopes for them.

I am wondering whether any basic planning has been done to evolve, both from the standpoint of time and total funds, a long-range Middle East program? For example, one of the things that disturbs me is that I am afraid our technical aid and economic assistance is going to be mainly directed to raise the food production and improve roads and communications. However, apparently none of it except in a vague planning way—some of it will go to that, but none of it will go to develop the available resources, such as the irrigation and the hydroelectric development of the Euphrates.

If we could tell these people that that is in our plans 3 years from now, then I think we would really be hitting the jackpot propagandawise.

Now, that is a rather inclusive question. If you want to come to that later so that I will not waste all of my 5 minutes on you, I have two other procedural suggestions which I could make now.

One is along the same line. Could we not say we would authorize in this bill \$150,000,000 for the Arab refugee resettlement program, as is the figure presented by the United Nations, but this year, since they can only spend \$50,000,000, we are going to appropriate only \$50,000,000? We could tell them that so that they will realize we are doing the whole program for them, but since they can only spend \$50,000,000 this year, we will only appropriate that.

I do not know enough about the rules of the House to know whether that is possible.

(Discussion off the record.)

Chairman RICHARDS. The gentleman's time has expired. I am sure we will want to pursue that point in the general discussion in a few minutes. If you will just keep those questions in mind, Mr. McGhee. I want to call on Mr. Javits now.

Mr. JAVITS. Dr. Judd is ahead of me.

Mr. JUDD. I pass. I was out of the room when my turn came.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. I too want to thank you for your statement. I think, of course, as you told me and others quite properly that the two fundamental questions are the Arab refugees—and that is the nettling problem in the area—and the Iranian situation.

Do you feel that the main Communist danger in that area comes from the social status which exists in the Arab States? That is, the conditions which exist which do not seem to percolate wealth through to the mass of the people. Even though the Egyptians may have a high price for cotton or the sheikdoms may have fortunes in oil, it does not seem to shake down to the fellow on the ground. What do you think of that in terms of its being a fertile area for Communist exploitation?

Mr. MCGHEE. Mr. Javits, it is a fertile area, and I think the Arab refugees themselves are the most fertile ground which you have mentioned. Unquestionably the poorer classes in Egypt particularly are fertile ground, and probably those in Iraq. We have considerable evidence of that.

(Discussion off the record.)

Mr. JAVITS. Is it not a fact that the classic pattern communism is striving for is that when there is a revolution based on social causes, relatively few Communists can get hold of it?

Mr. MCGHEE. That is correct. But, as you know, if one excludes China from consideration as a special case, that has not taken place. All the countries which have been taken by Soviet communism to date have been taken in conjunction with Soviet force along the Czechoslovakian model. Therefore, since the near eastern states, aside from Greece, Turkey, and Iran, do not have a border with Russia, it seems unlikely that a situation could develop in which communism could come to power. I do not believe the Communists have that as their immediate objective.

(Discussion off the record.)

Mr. JAVITS. I have one other question. You said we were going to administer this aid in the Near East on an area basis. I think that is the real solution to many of our problems, in this aid.

Would you tell us in detail how you would do that?

Mr. MCGHEE. Yes, sir. We would hope to have a central administrator, probably at Beirut where the UN Refugee Agency is located. We would not necessarily have country missions in each country. In that way we could obtain much better technicians, who would be available to service the entire area. We could then work for cooperation between the countries and make our investments on an area basis to produce the best good for the area as a whole.

Mr. JAVITS. So if we cannot have a Near East Organization for Economic Cooperation, at least we can have a Near East Mission for Economic Cooperation?

Mr. MCGHEE. That is correct.

Mr. JAVITS. Thank you.

Chairman RICHARDS. The time of the gentleman has expired.

Mr. REECE.

Mr. REECE. Thank you, Mr. Chairman.

(Discussion off the record.)

Mr. RIBICOFF. I have a point of parliamentary inquiry.

Chairman RICHARDS. What is the point of parliamentary inquiry?

Mr. RIBICOFF. Will the Chair inform us of the approximate plans, in view of the proceedings on the floor, and how long we are going to continue here?

Chairman RICHARDS. What proceedings is the gentleman talking about?

Mr. RIBICOFF. The committee hearing as against the proceedings on the floor of the House and the potential vote.

Chairman RICHARDS. As an obedient servant of the committee, if the committee would like to adjourn, it can. We have a few more witnesses. I wanted to turn the Secretary over to the tender mercies of the committee for unlimited questions, with the sky the limit. If you do not want to question him, we will take up another matter.

Mr. ROOSEVELT. As a parliamentary inquiry also, what is the gentleman from Connecticut referring to in the potential vote?

Chairman RICHARDS. I noticed no teller bell has rung. When that happens we always inform the committee what it is about.

Mrs. BOLTON. There was a vote that went by one vote.

Mr. JAVITS. That is right. It was just a minute ago. I would like to inform the committee they are discussing now regulation W, and I might say to the chairman too that I think I and other members of the committee are worried about not being on the floor.

Chairman RICHARDS. I have been worried all week about it.

Mr. JAVITS. We are moving pretty fast there.

Chairman RICHARDS. Whatever the will of the committee is. If some members feel they have to go, or if you would like the Secretary to come back at some other time for further questioning, that will be all right.

Mrs. BOLTON. Is he not due back tomorrow morning, Mr. Chairman?

Chairman RICHARDS. The Secretary is slated to be here tomorrow morning.

Is it the wish of the committee that we suspend now and the Secretary will be back in the morning?

Mr. JUDD. Mr. Chairman, there were a couple of questions earlier, the answers to which were reserved. They were asked by Mr. Roosevelt.

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Chairman RICHARDS. We want to know if anyone wants to ask the Secretary any questions for the record.

Mrs. KELLY. Mr. Chairman, I have a question.

Chairman RICHARDS. Mrs. Kelly.

(Discussion off the record.)

Mr. ROOSEVELT. Will the gentlelady yield?

Mrs. KELLY. I yield.

(Discussion off the record.)

Mrs. KELLY. I have one more question, which is my last.

I have been shocked over the lack of interest in the continent of Africa. One of the witnesses the other day told us about a very small amount of point 4 technical assistance to that continent.

I realize you have covered northern Africa. So I had one of the staff prepare a statement for me. It shows there are about \$75,000,000 in private investments in Africa, which is a preliminary report, and a small amount of point 4 operations.

Due to the fact that today you said the Near East was neglected in the past, would it not be advisable at this time to inaugurate a point 4 program for us in Africa?

Mr. MCGHEE. Mrs. Kelly, Africa actually has benefited greatly from our assistance in recent years. Some \$300,000,000 has gone to Africa through the dependent overseas territories program of ECA. That sum probably would not appear in the figures you mentioned for the reason that it was given directly to the European administering countries concerned either as grants or loans; but actually there has been much more technical assistance available for Africa than could be absorbed. Some \$35,000,000, as I recall, was set aside for an African technical assistance program through the European administering countries.

Mrs. KELLY. That was through European countries, not United States point 4?

Mr. MCGHEE. In Africa, in their African territories. There is no question but that they benefited, but also the African people themselves benefited.

Mrs. KELLY. Did we benefit?

Mr. MCGHEE. Yes; because the programs were based to a considerable extent on the increased production of raw materials which we need, but Africa also benefited.

One of our problems arises from the fact that there has been so much assistance to the African possessions of the European countries that the independent countries, such as Ethiopia, Liberia, and Libya, feel they have been neglected. One of the reasons for our proposed \$4,000,000 program for these three independent countries is to compensate them, in a sense, for what they missed by not participating in the ECA program in the past.

I welcome your interest in Africa, but I believe you will find the ECA accomplishments in Africa very impressive. We believe this

\$4,000,000, together with ECA's continuing program, for dependent overseas territories, which is a part of the European program, will provide a good base for progress in Africa.

Mrs. KELLY. I have one more question. You mentioned the fact that the Israelis had a great deal of drive and capabilities in reaching their goal. Is it not more important to attempt to reward them than to reward the inertia of our European allies in the hope of creating good will?

Mr. MCGHEE. Mrs. Kelly, the principle of reward is not the basic principle in our foreign-aid programs. I am certain it enters in as one element but, of course, basic American security interests and objectives are the determining factors in our foreign aid programs. The element of reward, I would say, cannot be injected directly into the formulation of foreign policy. We feel we must stimulate these Arab peoples, we feel we must not accept their present attitude as being final.

Mrs. KELLY. Thank you.

Chairman RICHARDS. Dr. Judd.

(Discussion off the record.)

Mr. BURLESON (presiding). Is that all, Dr. Judd?

Mr. JUDD. Yes.

Mr. ROOSEVELT. Would you answer my questions now?

Mr. MCGHEE. Yes, sir.

Mr. Roosevelt raised the question of the goals. I am afraid we cannot be too clear on this question. I think we do have important goals with respect to the refugee program, which is half of the problem in the Near East states. There we would estimate 3 years to 5 years is required for the achievement of this goal. That estimate is based on the best available information, including a recent mission of the United Nations, which estimated it would require about \$150,000,000 over that period of time.

With respect to achievement of definite accomplishments in a given period elsewhere, I think you will agree that it becomes more difficult when you consider underdeveloped areas such as the Arab states. The area has very great development needs. It has limited capabilities for moving toward achieving those needs. We are in a situation where we can make any investment we choose, and it will be a worthwhile investment. We can make a small investment covering a year or two, and we will have achieved an advance in the standard of living which we seek, or we can make a larger investment over a 5-year period and achieve a larger advance.

We are not committed to a continuation of the program. We can determine later what our ultimate objective is. We should, however, in our own interest continue the program for a number of years.

In the case of Israel, I believe you would agree that it would also be very difficult to set a goal. You are dealing with the intangible factor of immigration. The objective of Israel itself is more complex than the goal of economic self-sufficiency of a static state in the light of this open-ended variable of immigration.

Mr. ROOSEVELT. One thing interested me, and I think it was Mr. Nathan last night who testified on the economics of this Israeli request and said they estimated that the cost, including the relief per capita refugee was \$250 for relief and another \$2,250, or a total of \$2,500 for resettlement of a refugee coming into Israel. Yet, if you divide

roughly a million Arab refugees, or 800,000, into \$150,000,000 for the settlement of Arab refugees, you are down to a \$150 per capita figure.

I do not know why it costs so much more to resettle a Jew than it does an Arab. I cannot figure that one out. I am afraid our \$150,000,000 figure is way too low.

Mr. McGHEE. The estimate for the settlement of Arab refugees is \$1,000 a family. The difference is the difference in standards of living between Jews and Arabs. The Jew is a European and, as a result, he desires to live in a modern home or apartment. His whole standard of living, his food and his clothes are all gaged to European standards. Most of the Arabs are used to living in a hut often made of mud, on low rations and with relatively simple clothing. As you know, the UN relief program feeds the Arab refugees at \$2 a month per person.

Mr. FULTON. The word has different meanings. The Jewish word "resettlement" means a different thing than the Arab resettlement. For instance, in Israel they follow through and give the refugees training and give them a job and a house,

Mr. ROOSEVELT. You must include all the industrial and agricultural capital that must go into it.

Mr. McGHEE. That is right.

Mr. FULTON. In addition, from Yemen they flew the refugees in, so that made the cost much higher. Israel had to do it because there were extended deadlines to be met.

Mr. McGHEE. I believe in Israel the per capita income is \$385 compared with \$50 in the Arab States. So the Jewish immigrants have to earn \$385, whereas the Arab refugees only have to earn \$50 to be on a basis similar to that of other Arabs. It is hoped there can be a moderate increase in living standards when the Arabs are resettled.

Mr. ROOSEVELT. I wanted to put that in the record because I know it is going to come up on the floor. Did you finish the other question?

(Discussion off the record.)

Mr. ROOSEVELT. Thank you. Now, the Haifa refinery is a very important question.

Mr. McGHEE. It is, indeed, particularly because of the shortage arising from the Abadan situation. As you know, only 30 percent of the capacity of the Haifa refinery is being utilized now, because the oil must come from Venezuela. It is a very long haul, and Venezuelan oil is dollar oil. The Iraqis will not permit the oil to come through the pipeline from Iraq, and the Egyptians will not permit it to come through the Suez Canal.

Mr. ROOSEVELT. Has there been any reduction of the Iraqi position?

(Discussion off the record.)

Mr. McGHEE. I would like to make the point, Mr. Roosevelt, that it would be an advantage if either an authorization for a continuing appropriation for the purpose of reintegration of the refugees, or some strong statement, could come from this committee. As you recall, the President's statement transmitting the request made note of the fact that this would be a continuing requirement. The Executive did not ask for an authorization beyond the 1 year, basically, I think, because that has not been an acceptable procedure in seeking funds

from the Congress. However, as you quite wisely pointed out, I feel certain that this was an advantage. If this committee, either through an authorization for an extended period or through some wording, could imply that this was a problem which we realized would take several years to accomplish, and would indicate that we would give continuing consideration to it, it would be of great assistance in achieving the political objective which we hope to achieve. It would help convince the Arab States that we intend to see this through, that it is our objective to help achieve settlement of the refugees.

Mr. ROOSEVELT. When we come to the consideration of the bill we will certainly try to accomplish that objective.

Mr. MCGHEE. Fine.

Mr. REECE. May I interject a question with reference to that refugee situation?

Is any effort being made to get private capital to come in and set up operations which would utilize these refugees after they are trained? In this country, if we have a serious unemployment area, we make a great effort to get somebody to come in and locate a factory there. Can you tell us to what extent it is feasible to encourage such a program over there?

Mr. MCGHEE. There has been a limited effort on the part of people with capital in that part of the world to utilize refugee labor. For example, a company in the Lebanon recently started a cotton project in the Jordan Valley, employing refugee labor.

Mr. REECE. Recently the General Shoe Corp., the head of which happens to be from Nashville, Tenn., located a factory in Israel.

Mr. MCGHEE. Yes, sir. However, there is only limited capital in the Arab countries in comparison with the need, so that anything they might do would be very small.

For example, the Bank of Syria and Lebanon has attempted with its resources to go forward with certain projects such as the Arab swamp drainage project. The possibilities of American capital being interested in going to the Near East are very small, in view of the prevailing conditions. Unfortunately, there is very little flow of American capital to the area, except from the oil industry. In the light of unsettled conditions in the area and the relatively undeveloped economics, which make it difficult for people to do business because they lack trained labor and other facilities necessary for a successful business operation, I doubt that much private capital will go to the area under present conditions.

The incentive to private capital in Israel is quite different in that the country has skilled labor and a government which is alive to the possibilities for selling the country's products not only in the Middle East, but elsewhere in the world.

Mr. ROOSEVELT. Is there any availability of World Bank funds for this kind of capital Mr. Reece is talking about?

Mr. MCGHEE. Yes, there is, particularly in Syria. The Syrians are now negotiating with the International Bank.

Mr. ROOSEVELT. I am talking of Lebanon, because I understand the Lebanese company, if it could purchase American machinery, for which it would require a certain amount of American dollars, is prepared to proceed with a small steel rolling mill in Lebanon. They have the local capital for plant facilities and the working capital, and so forth and so on.

I was wondering whether the World Bank is in a position to go into that matter.

Mr. MCGHEE. The World Bank at one time offered the Lebanese a small loan. I think the figure was \$1,000,000. I believe, they are still prepared to lend certain funds, and Lebanon may wish to use its bank credit for the development of the Titani River.

However, Lebanon, even if the capital were available, does not offer great possibilities for the settlement of these refugees. It is over-populated now, and the settlement of a large number of the refugees would disrupt the basis of the Lebanese state which, as you know, maintains a balance between the Moslem and Christian elements of the population.

Mr. ROOSEVELT. Have we covered the Haifa refinery?

Mr. MCGHEE. Yes. I indicated that Haifa would operate on Venezuelan crude in the event of a shut-down at Abadan, since the Iraqis do not appear to be willing to let oil come through the pipeline.

Mr. ROOSEVELT. Is the Haifa refinery owned by the Royal Dutch, or just whom?

Mr. MCGHEE. It is owned by a British company, Consolidated Refineries, Ltd.

Mr. BURLESON (presiding). Does anyone else have any questions?

Mr. FULTON. I have a few questions.

Mr. BURLESON (presiding). Mr. Fulton.

(Discussion off the record.)

Mr. BURLESON (presiding). Mrs. Bolton.

(Discussion off the record.)

Mrs. BOLTON. I am taking too much time, Mr. Chairman.

Mr. BURLESON (presiding). Do you wish to defer the other questions you have?

Mrs. BOLTON. There are various things I would like to know.

Mr. BURLESON (presiding). Perhaps you could submit those questions to the Secretary.

Mrs. BOLTON. For instance, the refugee population, and so forth.

Mr. MCGHEE. Do you want us to answer them now? If you would like to submit it now, we can give you the answers tomorrow.

Mrs. BOLTON. I shall appreciate having answers to these questions if I may submit them now.

Mr. BURLESON (presiding). Thank you, Mrs. Bolton. As I understand it the chairman intended to have the 7:30 meeting.

Mr. CRAWFORD. That is correct. There are two witnesses only—Congressman Meader and Mr. Frost of the Detroit Chamber of Commerce.

Mr. BURLESON (presiding). Mr. McGhee, I know that I can unreservedly speak for the entire committee in saying that not only do we always appreciate your appearance here, but we enjoy it. I know I have heard many of the others express themselves in that regard.

Mr. JUDD. I will join in that. I could not be here for the first part of his testimony but I heard several of the other Members on the floor report how informative it was. I will read it in the record.

Mr. MCGHEE. Thank you very much. It is a pleasure always to be here.

Mrs. BOLTON. We are all very much interested in the way in which you have approached your job and everything connected with

it. We admire your capacity to clarify it for us, because the Near East and Africa is a pretty big area.

Mr. BURLESON (presiding). I think we all have that feeling. It is regretted that because of activities on the floor of the House, it is difficult for all Members to be present continuously. That can't be helped. We are very conscious of that but circumstances do not always permit it, of course.

Mr. McQUEE. I am amazed at the knowledge this committee has. I can tell you very little, I am sure.

Mr. BURLESON (presiding). You know you are to be back tomorrow morning at 10 o'clock?

Mr. McQUEE. Surely.

(The following were submitted for inclusion in the record:)

MIDDLE EAST REFUGEE PROBLEMS

This material has been prepared by the Department of State responsive to an outline suggested by the staff of the House Foreign Affairs Committee.

1. ANALYSIS OF REFUGEE PROBLEM

A. There were 875,998 refugees on the rolls of the United Nations Relief and Works Agency for Palestine as of the end of June. These refugees are distributed as follows:

Lebanon.....	106, 753	Gaza.....	109, 789
Jordan.....	465, 450	Israel.....	23, 507
Syria.....	80, 499		

B. *Conditions of the refugee population.*—A team of experts from the World Health Organization recently made a survey of health conditions in the refugee population. They discovered that, generally speaking, the refugee population was in better condition than might be expected from the low diet level and lack of facilities from which many have suffered, particularly the two-thirds of the refugees not in camps. Disaffection and unrest is natural among those people, separated from their homes and generally unable to earn a livelihood.

C. *Attitude toward refugees in countries where they are located.*—Attitudes vary according to the country. Jordan, where half of the refugees are located, has granted to every refugee full citizenship rights if he wishes it. It will not be possible to resettle more than 150,000 to 200,000 of the 465,000 refugees within the limited terrain of Jordan; Lebanon is overpopulated in relation to its resources and will not be able to absorb more than a fraction of the 106,000 now there. Lebanon is anxious for a settlement of the refugee problem which will enable her to move the great majority of refugees to countries where resettlement is possible. Syria has been in conversation with the agency for some time on two pilot projects for resettlement. Changes of government have delayed these negotiations but recent conversations have showed continued willingness to go forward with resettlement. Egypt has declared its willingness to resettle 60,000 of the 200,000 refugees in the Gaza in lands which it is hoped to reclaim in the Sinai Peninsula. There is probably not any further opportunity for resettlement in Egypt and the remaining 150,000 refugees in the Gaza strip will have to be resettled in other countries. Syria's vacant areas offer the most promise; Iraq is a possibility.

D. *Attitude of the Israeli Government toward resettlement.*—The Israeli Government has consistently taken the line during the last 3 years that resettlement of the refugees in the Arab countries is the only practical solution for the problem. The Israelis are not willing to repatriate any substantial number of refugees and adduce two principal reasons: (1) their need for all available lands to resettle Jewish immigrants and (2) the internal security risk of a large and potentially hostile Arab population.

II. PROBLEMS OF RESETTLEMENT

A. *The number to be resettled.*—It is estimated that at least 60 percent of the refugee population have a rural background, and it may therefore be estimated that approximately 600,000 persons or 100,000 families will need to be resettled on the land.

B. *Where the refugees can be resettled.*—The availability of land and water is the key to resettlement. It has been estimated that probably not more than 200,000 can be resettled in Jordan; to a considerable extent resettlement in Jordan has accounted for the reduction in refugee rolls from its peak of 1,019,000 to the present figure of 876,000. Egypt, as mentioned above, is willing to take approximately 50,000 in the Sinai Peninsula, if surveys of water supplies, now under investigation, permit. Lebanon may accept 20,000 refugees of Lebanese ethnic origin. This leaves the great bulk of the refugees to be resettled in the one Arab country where there are both rain-fed lands and opportunities for irrigation—Syria. Both in the large Jezira area to the north and in the river valleys such as that of the Kabhur, these opportunities exist.

C. *Cost of settlement of the agricultural population.*—Costs of settling a family of five persons have been estimated in the range of from \$1,000 to \$2,500. This includes direct costs such as livestock, seed, agricultural implements, and simple housing in agricultural areas. Land costs have not been included since it is expected that the refugees will be settled on public domain and present waste lands. Ancillary costs such as roads, public buildings, services, and others are expected to be taken up in a general program of economic development as well as by the United Nations agency.

The spread in costs of \$1,000 to \$2,500 is explained by the difference between settling on rain-fed lands and on irrigated land. The much larger cost of the latter is due to the mechanical equipment necessary. Since the agency has not yet negotiated for specific tracts of land with any government, these cost figures are, of necessity, general in nature. Results of investigations presently being conducted in the Sinai Peninsula in cooperation with the Egyptian Government will develop firm figures for that project.

D. *Relocation of refugees to the land.*—It would be hoped that the great majority of the refugees can be resettled on the land as freeholders, so as not to perpetuate the feudal type of landholding so prevalent in the Near East. In cases where large tracts of land are rapidly coming under private ownership, a trend steadily increasing in the Jezira area of Syria, some form of tenancy may well be necessary. The PRA has in mind the desirability of improving the relative numbers of freeholders, but the agency must concentrate on the main point, reintegration; and the end of the need for relief.

E. *Settlement of others than farmers.*—The small professional and white-collar classes among the refugee populations have largely made themselves self-supporting and relatively little aid will be needed for them. In the case of skilled workers and merchants the agency has, in Jordan, set up a development bank which has already made loans to such classes of artisans as the mechanics, blacksmiths, and cobblers. Small shopkeepers will also be aided in this way. It is hoped to repeat the Jordan pattern in other countries.

F. *Israel's share of the cost is indeterminate.* The United Nations is endeavoring to appraise the value of the refugees' claims for compensation for their immovable property left in Israel. This will be a very substantial sum, probably beyond Israel's ability to pay within a reasonable period of time.

Resettlement costs of the United Nations, estimated at \$150,000,000 (over and above relief costs) are estimated on a basis of acquiring land free from local governments, and on a basis of a substantial rise in economic conditions fostered by development programs stemming from local funds, borrowings from abroad, and the proposed grant program of the United States. Relief costs will decline as refugees are resettled, but as a 5-year period is envisaged, total UN costs, including relief, may well aggregate \$225 million.

The refugees will not be welcomed as settlers unless there is a demand for labor generated by economic expansion.

G. The Israeli Government has indicated a willingness to entertain claims for real property abandoned by the Arabs. This subject is having the attention of the Palestine Conciliation Commission of the United Nations. Israel has based its case for a grant of \$150,000,000 for 1952 from the United States partly on its obligation to compensate the Arab refugees.

III. PROBLEMS OF THOSE WHO CANNOT BE RESETTLED

The goal of the United Nations agency has been to reduce the refugee problem to bounds within which it can be handled by the local governments. Until that day comes, there appears no alternative to measures for relief financed in large part by the international community.

The problem of refugee morale has been under constant study. Factors undermining their confidence can be summarized:

1. Lack of security for the future.
 - (a) Uncertainty of continued United Nations aid.
 - (b) Uncertainty of rights of asylum.
2. Dissatisfaction with the present:
 - (a) Poor material conditions.
 - (b) Homelessness.
 - (c) Statelessness.
 - (d) Increased belief that they are victims of social injustice.
 - (e) Failure of United Nations to carry out resolutions regarding their rights to repatriation.

These factors are manifest in nervous tensions verging on exasperation, creating constant danger of violent demonstrations. They lead to acceptance of Communist theories, which promise a way out.

They lead to a substantial fall in moral values both in the Christian and Moslem sectors of the refugee population.

IV. LONG-RANGE PLANS FOR RESETTLEMENT

Proposed programs of the United Nations involve as long as 5 years. They involve principally (1) use of lands in Sinai, which will require roads, wells, ditches, seeds, fertilizer, tools, and light industrial facilities to make them habitable, (2) the development of northern Syria where rain-fed lands may tend to reduce costs and (3) possibilities in the Tigris-Euphrates Valleys which are remote in time and can only follow extensive development by the Iraqis themselves.

V. POLITICAL IMPLICATIONS OF THE REFUGEE PROBLEM

A. Will Israel accept refugees? If so, under what conditions?—Israel has consistently maintained that for reasons of Jewish population pressure and of security, that she cannot accept any substantial number of refugees. The Israeli Government is not likely to change this attitude.

B. Will continuation of the refugee problem alter Arab-Israel relations?—The problem of continued bad relations between Israel and the Arab states can only be exacerbated by the continuation of the presence of more than three-quarter of a million refugees on Israel's borders. If the problem is allowed to continue, it will only alter relations between Israel and the Arab states for the worse.

C. Will United States aid of \$50,000,000 plus any sums contributed by other United Nations members provide anything more than relief?—The agency estimated that, as of October 1950 prices, relief would cost approximately \$20,000,000 during the current fiscal year. This figure, in view of rising price trends, will almost certainly have to be revised, perhaps to as much as \$25,000,000. A United States contribution of \$50,000,000 would be added to other pledges now totaling \$13,000,000. It is hoped, however, to receive substantially larger sums from other contributors, perhaps as much as \$20,000,000. For 1952, then, of a total of \$70,000,000 as much as \$45,000,000 might be spent on reintegration.

D. Progress of Communist penetration or antiwest attitude in refugee camps.—The Department of State has received continuing and increasing evidence that Communist agents are active among the refugee population. They have penetrated local political movements and have constantly played upon the desire of the refugees to return to their homes. They have constantly sought to identify the west and particularly the United States as the cause of refugees' troubles. It is perhaps surprising that they have not obtained even more successes since the Communists have made refugees their principal target in the Near East.

E. How will the United States security in the Middle East be improved by voting the \$50,000,000 proposed in this bill?—If the United Nations Relief and Works Agency can begin at once and proceed quickly with its program of reintegration of refugees into the economies of the near eastern countries, the greatest single source of unrest and antiwestern sentiment in this critical area will be in process of solution.

Peace between Israel and the Arab states cannot possibly be achieved until the problem of the Arab refugees is solved.

MEMORANDUM RE EXPORT-IMPORT BANK LOAN TO THE STATE OF ISRAEL IN THE AMOUNT OF \$135,000,000

This loan may be subdivided into six categories as follows:

Agriculture.....	\$70,000,000
Transportation.....	9,410,000
Housing and community facilities.....	25,000,000
Telecommunications.....	5,000,000
Ports (improvement and expansion).....	5,590,000
Industry.....	20,000,000
Total.....	135,000,000

The disbursements to date and the remaining balances with respect to each of these categories are as follows:

	Disbursements	Balance
Agriculture.....	\$35,088,606.07	\$34,911,393.93
Transportation.....	7,166,010.47	2,243,989.53
Housing and community facilities.....	18,567,762.32	6,432,237.68
Telecommunications.....	3,735,183.50	1,264,816.50
Ports (improvement and expansion).....	1,874,373.33	3,715,626.67
Industry.....	7,613,083.37	12,386,916.63
Total.....	71,035,019.15	63,974,980.85

The anticipated rate of disbursements with respect to the remaining balance per quarter for the remainder of the year 1951 and for the years 1952 and 1953 are as follows:

1951—Aug. 1-Oct. 1.....	\$8,000,000
Oct. 1-Jan. 1.....	10,000,000
1952—Jan. 1-Apr. 1.....	10,000,000
Apr. 1-July 1.....	10,000,000
July 1-Oct. 1.....	10,000,000
Oct. 1-Jan. 1.....	10,000,000
1953—Jan. 1-Apr. 1.....	6,000,000
Total.....	64,000,000

It is estimated that the full amount of the loan will be disbursed by the end of the first quarter 1953.

Agriculture, \$70,000,000

This section of the credit is subdivided as follows:

Diversified agriculture.....	\$36,000,000
Regional irrigation.....	20,000,000
Citriculture.....	8,500,000
Nitrogen fertilizer plant.....	5,500,000

Diversified agriculture.—In general, the materials, equipment, and services that are being financed under this subsection are as follows: Materials including steel, timber, and aluminum, agricultural machinery and implements, trucks, draught animals, and dairy cattle, tractors, land preparation equipment, plant protection equipment and harvesting equipment. There is also included in this sector pipe, pipe materials, and mechanical and electrical equipment for water supply. This irrigation equipment is being installed on the farms as opposed to the regional irrigation program described below.

Regional irrigation.—The equipment that is being purchased in connection with this program consists primarily of pipe, pipe materials, and mechanical and electrical equipment.

Citriculture.—In general, the equipment that is being financed for this program involves tractors, land preparation equipment, packing sheds and equipment, and harvesting equipment.

Fertilizer plant.—Equipment that is being purchased under this sector is the usual type of equipment necessary to construct a fertilizer plant.

Transportation, \$9,410,000

This section of the credit is divided as follows:

Busses, trucks, etc.....	\$6, 000, 000
Ships.....	734, 000
Railway equipment.....	800, 000
Aircraft.....	800, 000
Airport improvement.....	480, 804
Air maintenance base.....	595, 196

It is believed that the categories in general describe themselves and no further breakdown is necessary.

Housing and community facilities, \$25,000,000

The Housing and community facilities program may be subdivided as follows:

Housing materials.....	\$16, 400, 000
Machinery and equipment.....	5, 000, 000
Water supply and sewage disposal services.....	3, 600, 000

In general, materials, equipment, and services with respect to the subdivisions are as follows: Materials—lumber, steel, pipe, etc. Equipment: cement mixers, street building equipment, etc. Water supply and sewage disposal: Pipe, pumps, and other such equipment.

Telecommunications, \$5,000,000

This section is not subdivided and in general the equipment that is being financed is radio, telephone, and related equipment.

Port facilities, \$5,590,000

This section was not subdivided and the equipment and materials that are being financed relate to the improvement and expansion of the port of Haifa. In general they are: steel and other construction materials, cranes, fork-lift trucks, and other cargo-handling equipment.

Industry, \$20,000,000

This section of the credit is subdivided in that the bank has approved the use of approximately \$19,900,000 by 277 different industrial entities in Israel. There is a wide range of industries involved, including: Cement, textile, steel, wood-working, fertilizer, vegetable and fruit-processing and canning, and many others. The equipment that is being financed relates directly to the various entities receiving funds.

There still remains \$100,000 yet to be approved for use under this section of the credit.

Mr. BURLERSON (presiding). The committee will adjourn until 7:30 o'clock tonight.

(Whereupon, at 5:55 p. m., the committee adjourned until 7:30 p. m. the same day.)

(The following statements were submitted for inclusion in the record:)

STATEMENT OF ADMIRAL FORREST SHERMAN, UNITED STATES NAVY, ON THE PROPOSED MUTUAL SECURITY ACT OF 1951

Mr. Chairman, I welcome this opportunity to appear before you and submit my estimate of the strategic importance of the Eastern Mediterranean and Middle East. I consider that this has a direct bearing on the necessity for the proposed legislation which you are now considering. The purpose of this legislation is "to promote the foreign policy and provide for the defense and general welfare of the United States by furnishing assistance to friendly nations in the interests of international security." The legislation proposes a continuance and extension of military and economic assistance to this area, which I strongly endorse for the double purpose of increasing the ability of these countries to resist internal subversion and to strengthen them as highly necessary allies in a possible general war.

Today there is an uneasy peace in the Middle East, and the existence of destitute refugee hordes from Palestine produces a political and economic situation fraught with danger. Hunger, cold, lack of shelter, and lack of work lower the resistance of those who normally shun the ideology of the Kremlin. It cannot be

taken for granted that by itself, the religion of the refugees will reject communism. Outside help is necessary.

The creation and the maintenance of political and economic instability is a basic tactic of forces which oppose us. Those forces infiltrate—subvert, seeking to create conditions which will lead to political capitulation or to facile armed conquest.

Our interests are many in the countries bordering on the eastern Mediterranean and in other countries close by. We have a cultural and moral interest in the welfare of the many millions who inhabit the area. We need them as our friends. Concrete evidence of our cultural interest is found in the American institutions which have existed in the area for years. The American University in Beirut is an outstanding example. Twenty graduates or former students are members of the General Assembly of the United Nations. We have a financial interest in the Middle East which is well recognized. Funds appropriated by the Congress last year for relief work are evidence of our moral interest in the area.

It is to our advantage to strengthen existing bonds of friendship in the Middle East. These nations of the Middle East are sufficiently important to cause us to help improve their economic and political stature and strengthen their will to resist aggression. In my opinion, we should take all reasonable steps toward the creation and maintenance of political and economic stability in that general area. One essential requisite to this end continues to be the provision of that military equipment and technical military advice and training which will enable these nations to entertain a reasonable hope of successfully defending themselves.

But it is our military interest that I wish to emphasize. For centuries, the military importance of the Middle East has been the cause of war, and of political and economic pressure and penetration. I regard the strategic importance of the eastern Mediterranean and Middle East as almost equal to that of the North Atlantic Treaty area itself, as related to efforts to resist world-wide Communist encroachment. In that area lie tremendous oil resources which the free world requires now for its greatly expanded rearmament effort, and which would be essential for the effective prosecution of a general war. Conversely, these oil resources would be desperately needed by the Communists to wage successfully a prolonged general conflict.

In addition to these large resources of oil, the area possesses a high degree of strategic importance because of its geographical situation. This area involves three continents and controls critical land, sea, and air communications. If war should come, the free nations must be able to control these communications and deny them to the enemy. In addition, this area, under allied control, would provide the bases for offensive operations by which we could strike directly and quickly at the heart of the enemy.

Today, we plan to defend Western Europe in case of attack. The practicability of execution of such plans is increasing each day as the free nations augment their total military potential. As our strength in Western Europe increases, it becomes more practicable to plan for a defense of the Middle East which will insure, as a minimum, a continuous flow of oil to the Western World from that area and a denial of this oil to the enemy.

The critical communications of the Eastern Mediterranean and Middle East focus at two points, the Turkish Straits and Suez. Friendly control of the Turkish Straits would be an important factor toward insuring the continued use of the Mediterranean as a principal highway for allied combatant forces and commerce. As long as enemy naval forces cannot exit from the Black Sea, they cannot be effectively employed in the Mediterranean, nor can they render logistic support to such enemy land and air forces as might reach the shores of the Mediterranean. Retention of control of the Turkish Straits by our allies is necessary for the security of General Eisenhower's southern flank.

I believe that the importance of safeguarding the Suez Canal is so obvious that I would not be justified in taking the time of these committees with further discussion.

The internal and external security of each of the nations of this area is critically important to the security of the Western World.

I believe that it is clear that a strong and resolute Turkey, ready and able to successfully resist encroachments upon its sovereignty, is the key to a successful defense both of the Middle East and of the Mediterranean. The security of Greece is essential to the security of the Mediterranean. Both the Turks and the Greeks have proved themselves battle-worthy allies in Korea.

In Iran recent events indicate the dangers which face us in certain of these nations. Due to the unsettled and unstable conditions which prevail, and to the

shifting external pressures which may be applied. I consider that our plans for aid to this area should permit administrative flexibility to meet the situation of the moment. Should the probable enemy gain control of Iran, the security of Turkey would be jeopardized, the defense of the vital Straits area would be weakened, and even the Saudi Arabian oil fields would be placed in jeopardy. We should continue our aid to Iran in order to encourage that country to resist subversion and to develop forces for its defense.

Behind the Turkish-Iranian barrier lie the Arab States and Israel. There is the oil which is essential to Europe. There are the base areas required for protection of essential sea and air communications, and for support of combat operations to the north.

The Administration proposals regarding authorizations of funds for the countries of the area are set forth under title II of the legislation you are considering. The funds requested for military assistance to Greece, Turkey, and Iran are set forth under section 201. In order to give the desired administrative flexibility, which I referred to previously. It will be noted that section 202 would authorize the President to use not more than 10 percent of the funds to be authorized under section 201 for the purpose of granting military assistance to any other country of the Near East area. I recommend that the committee approve the proposals set forth under these two sections as measures necessary for the implementation of our national policy of furnishing assistance to friendly nations for increasing our collective security.

Under Public Law 329, Eighty-first Congress, and its amendments, over a quarter of a million measurement tons of military supplies and equipment have been shipped by the United States to Greece, Turkey, and Iran for the purpose of reequipping and modernizing their military forces. In addition, two destroyers, two submarines, one submarine rescue vessel, and four destroyer escorts have been delivered, and one submarine tender and three landing ships, medium, will soon be delivered. United States military personnel are maintained in the military assistance advisory groups stationed in these countries, to assist in training and in the proper use and maintenance of this equipment. As of the 1st of May 2,285 military students from title II countries have been trained or are in training in United States service schools both in the United States and abroad.

These deliveries of equipment and this provision of training advice should be continued, in my opinion. I believe that this has been and will continue to be an essential contribution to the military security of this area.

Major General Scott is present as the representative of the Office of the Secretary of Defense which deals with military assistance matters. He is eminently qualified to explain to the committee and discuss in detail the contents of the various matériel programs and the specific purposes for which they are intended. With your permission, Mr. Chairman, I propose to conclude my statement and permit General Scott to outline to the committee the general characteristics of the proposed programs, their estimated costs, and their specific purposes.

STATEMENT FROM AMBASSADOR JOHN E. PEURIFOY ON THE SITUATION IN GREECE

A Communist sword of Damocles has continued to hang over Greece since the withdrawal of the German occupation forces late in 1944. By 1946 Greece was in a desperate struggle at home to suppress Communist guerrillas directed and supplied from abroad. Against these guerrillas the Greek Government had but meager resources and inadequate arms to prosecute the fight. In answer to an appeal from the Greek Government, the President and the Congress acted in 1947 to give the Greeks assistance. Since that time Congress has yearly reaffirmed this policy by granting financial assistance to Greece to help mend her ravaged economy and to build up armed forces adequate to provide for her security. Although the guerrillas were driven from Greece by the end of 1949, a serious external threat has developed deriving from the increasing military potential of her Soviet-dominated northern neighbors.

Greece, as one of the countries of the free world bordering the Soviet-dominated region, is constantly under rigorous pressure. However, there is no sign of defeatism in this small nation. Through United States military aid, Greece is developing strong defenses against possible aggressive moves from behind the iron curtain. I can assure you that these defenses are in competent and stalwart hands. The moral fiber and fighting ability of these troops, according to our military experts, are among the best. Today Greece can guard her borders with

modern weapons instead of improvised ones. She is greatly appreciative of the United States Government's help in this respect. Greece has not only met the Communist threat at home courageously and with determination, but has co-operated closely with the Western powers to prevent the encroachment of international communism. In the forum of the United Nations, Greece has been an implacable foe of baleful Soviet moves. Within a week of the appeal by the United Nations Secretary-General on July 14, 1950, for military assistance to United Nations forces in Korea the Greek Government responded with an offer of an air force unit. Shortly thereafter, on September 1, the Greek Government volunteered an expeditionary force for service in Korea. Both the air force unit and the infantry battalion arrived in Korea in the fall of 1950. Since that time the Greek forces have demonstrated their mettle in valiant and aggressive action against Communist forces. On June 24 Greece was the first country to respond to the Secretary-General's appeal on June 22, 1951, for additional troops, with an offer to double her troop strength in Korea.

Our military investment in Greece is a sound one. Her accomplishments under this program have been intelligently developed under able leadership. Should the occasion demand the employment of the Greek armed forces, you may be assured that within her capability Greece may be relied upon fully to expend her best efforts to repel any invasion of her borders—whatever the numerical superiority of the invader may be. The morale of the Greek people is at a high level and they possess the determination to resist forcefully any threats which may be employed against Greece.

Continued military assistance to Greece is essential for the maintenance and repair of existing military items, to replace worn-out items, to supply the requirements of a trained reserve strength, and to continue the modernization of military equipment. The strength of the Greek armed forces could be mobilized to a sizable level with minimum delay provided the equipment and supplies requested are forthcoming.

I should like to point out certain facts concerning the efforts which Greece is making to help herself. During 1951 the Greek Government itself is spending almost half of its entire budget for defense purposes. This is a very considerable proportion, particularly for a nation of less than 8 million people with scant natural resources and a low standard of living. Greek industry is presently manufacturing all clothing items for the Greek Army, such as underwear, uniforms, as well as bedding and mattresses. This year it is hoped that a substantial part of its army boots and shoes will be manufactured locally. Moreover, it is hoped that Greek soldiers will have increasing amounts of local-made items necessary to repel any invader, including Greek-made ammunition, mines, and grenades. Local foodstuffs provide the Army with such basic elements of the Greek diet as tomato paste, olive oil, potatoes, and fresh vegetables.

The ravages of 10 years of German occupation and Communist aggression very seriously weakened the Greek economy. With American aid, basic facilities have been reconstructed. However, because of the necessity of eliminating the Communist-led guerrilla menace, Greece has not even had two full years to work at the rehabilitation and development of her economic structure. Greece has a large unfavorable balance of trade and many vital problems remain to be solved. Continuation of irrigation, land reclamation and improvement, and more efficient agricultural methods now underway will reduce the large requirements for the importation of food. Completion of the electric-power program will reduce imports of fuel and provide a basis for further productive expansion, particularly in light industry. Light industry will not only provide Greece with many of the items she must now import, it will also increase the products for export.

A vigorous program is underway to check inflation which has been accelerated by international price rises. Based on an economy which is not self-sufficient, the Greek financial structure itself is not sound, though measures are being taken to strengthen it. Continued economic assistance is therefore essential to help the Greeks along the road to a greater degree of self-sufficiency. It is also essential to insure, in the meantime, the subsistence necessary to help them carry their present heavy economic and military burden. Economic assistance to Greece is carefully integrated with the defense measures considered necessary to the security of the country. Not only is this true of industry, agriculture, and health, but also in the field of public works.

In the past year coalition governments composed of the Centrist Liberal and Democratic Socialist Parties have held office. Under these governments important progress has been made in both the economic and administrative fields. In the recently held municipal elections, the Communists and their fellow travelers

failed to show any increase in strength. Moreover the results confirmed the moderate political inclinations of the Greek people. It is notable that for the first time women participated in municipal elections. While political stability has increased over the past year, considerably more stability is desirable in the Government. The proportional representation system employed in Greece contributes substantially to the lack of adequate stability in the Government. Many Greeks recognize that an electoral system which would tend to decrease the number of political parties represented in the Government would provide a better basis suited for effective governmental action. It now seems probable that the Greeks may hold new elections in the coming months and a considerable opinion favors the use of a proportional system modified to strengthen the representation of the largest parties.

In summary, Greece is more than paying off the investment in her defense which the United States has made. She has repelled Communist aggression once; she is prepared to do it again. In spite of her small size and meager resources, she has one of the best armies in Europe. Her spirit is excellent, but in order that it remain so she must continue to have our help. The external threat has not abated; in fact, it is greater than ever. The security of Greece is vitally related to the security of the Mediterranean, which in turn is critical to the security of Western Europe and the United States. Greece is one of the most loyal and courageous of our allies. Her continued support is both in our interest and hers.

STATEMENT BY MAJ. GEN. ROBERT T. FREDERICK, UNITED STATES ARMY, CHIEF, JOINT UNITED STATES MILITARY AID GROUP TO GREECE ON GREEK MILITARY AID PROGRAM, 1952

Since 1947, when the first Assistance Act was approved by the Congress authorizing military assistance to Greece, Congress has yearly reiterated its expression of policy through annual appropriations to provide further military assistance to Greece.

Following the cessation of hostilities at the end of World War II, Greece—unlike the majority of Allied Nations—was required to expend, on a wartime basis, much of its economic resources and many lives in order to maintain its internal security. This situation has been alleviated through the generous gestures of the United States in providing assistance, both economic and military, to a war-torn nation.

Much has been accomplished in recent years to stabilize the Greek military establishment through reorganization, training, equipping, and the establishment of rigid supply discipline. Today the Greek armed forces are efficient and capably led. Field Marshal Papagos, who contributed substantially to the development of the efficiency of the armed forces, resigned on May 30. The direction of the armed forces was assumed by Lieutenant General Grigoropoulos in the capacity of Chief of Staff of National Defense. General Grigoropoulos has had an outstanding record in the Greek Army and the American military mission has every reason to believe that the high standards achieved will be maintained under his direction. The expenses of maintaining this establishment are a constant drain on the limited economy of the country, despite the liberal gestures of the United States in providing it with the minimum military equipment, supplies, and other limited assistance authorized.

Greece's efforts have been heralded generally among the free nations of the world on its remarkable accomplishments, and on its cooperative spirit toward the United Nations military efforts in Korea. Greece unstintingly, and with enthusiasm, dispatched an expeditionary force to Korea to aid the UN effort to uphold the principles of democracy and in curtailing territorial aggrandizement by nations who disregard the democratic concept of man's basic right to life, liberty, and freedom from oppression.

Unfortunately, the economic assistance program which was originally contemplated for Greece in 1947 has not been fully realized due to the necessity of giving first priority to the military effort in order to end the threat of Communist guerrillas within Greece. The military assistance program to the country has become increasingly important, and without abatement of communist pressure, further aid is essential to maintain Greece among those nations serving as a buttress against expansion of communist imperialism. The military and economic assistance programs are reviewed continuously to assure the common objective of preserving the integrity of the country. This has meant a revision

of plans on programed road construction, bridges, industry, harbors, and other related projects.

The principal features of the military-assistance program to Greece are as follows:

(1) A minimum modernization of the equipment of the Greek National Army, coupled with maximum training and essential maintenance. The scale of equipment being furnished is far below United States standards. A major deficiency does and will exist in field and antiaircraft artillery.

(2) The necessary modernization and replacement of worn-out naval equipment so that the Royal Hellenic Navy may more efficiently patrol Greek coastal waters, clear mines, and furnish sea transport and support to the Army.

(3) A reequipment of the Royal Hellenic Air Force, with logistic support therefore, to provide tactical units capable of supporting ground operations. This reequipment program was started in fiscal year 1951 and is proposed for continuation in fiscal year 1952 by the replacement of obsolescent major items of equipment.

(4) A training program at all echelons in all three services, both tactical and technical.

Provided the military program requirements for 1951 are supplied in accordance with present estimates, Greece's armed forces, including a limited reserve, may be considered exceptionally well trained, but provided only with a minimum amount of equipment. The trained military manpower reserve in Greece may be mobilized for total military effort, within a minimum period of time. Hence, it is essential, looking toward the eventuality of this requirement, that continued military assistance be given the country in sufficient quantities and types of material to insure maximum utilization of this manpower potential. The United States military mission in Greece, serving in daily concert with the responsible leaders in the Greek armed forces, are confident of the Greek abilities to utilize to the fullest extent all military aid granted. The items contained in the program are considered the minimum necessary to accomplish the objective mentioned.

To meet the requirements of its Armed Forces, Greece is striving to furnish not only the manpower involved, but the products of its soil and local industry. Much has been accomplished during the past year with ECA support to enlarge the number of military items which may be manufactured in the country. Moreover, it is planned during the next year with ECA assistance to further expand the list of self-help items.

In summary, Greece has willingly and forcefully contributed her maximum efforts toward the defeat of communism. It would be short-sighted not to fill the needs of this worthy nation in order to provide her the means of fully utilizing her military might in the event of need. Greece, if attacked, will give a glorifying account of every investment which the United States has made in her Military Establishment.

STATEMENT FROM AMBASSADOR J. B. BLANDFORD, JR., ON REFUGEE REINTEGRATION AND ECONOMIC DEVELOPMENT IN THE NEAR EAST

PROBLEM

There has been a major social and economic dislocation in the Near East.

Eight hundred and fifty thousand Arabs are on relief and living in camps, caves, and other temporary shelter.

Generally they are nonproductive. When they work they compete with local labor. They constitute an economic blight.

There is great human misery. They are bitter. They are idle. They are fertile soil for the constant Communist effort to exploit them.

They are a major obstacle to peace and stability in the Near East and to friendship of Near East with other free nations and with the United Nations.

They cost the international community \$25 million a year for food, shelter, and health and educational services.

ANALYSIS

There is adequate soil, water, and economic potential in the area to absorb these refugees if sufficient funds are available to exploit these resources.

The refugees still yearn for their old homes or alternatively demand compensation. The United Nations is taking steps to define the amount of Israel's obligation for compensation and devise some scheme for payment to refugees who will not be able to return or who do not wish to do so.

The Agency's principal task is one of moving refugees from the camps and ration lines to village homes and self-support. This move may be made without prejudice to refugee rights to compensation or claims for repatriation.

The new villages must be adjacent to jobs. The jobs may already exist in some measure in cities or on rain-fed lands ready for cultivation. The Agency can stimulate small enterprises in cities or undertake minor works to make undeveloped lands available. Possibly \$150 million might be spent through Agency channels on this phase of reintegration over a 3- to 5-year period.

At least half of the reintegration achievement is dependent upon an area program of economic development. Large water control projects are needed to irrigate new land for reintegration villages. Transportation projects are required for access to new areas. New industries must provide employment for many refugees who have urban skills. Effective bilateral grant aid and technical assistance could and should spark a program of development by these states themselves.

Cooperation of Near East governments is essential for speeding up social and economic development, and for repair of major economic dislocation. They will respond to a program of friendship and cooperation which has for its principal purpose the building up of social and economic strength in an Arab cultural pattern which promises to preserve the sovereignty of their nations and the dignity of their citizens. Such nations then become effective members of the free world and bring with them resources and strategic strength.

STATEMENT FROM RUSSELL H. DORR, CHIEF OF THE ECA MISSION TO TURKEY, IN SUPPORT OF THE MUTUAL SECURITY PROGRAM

JUSTIFICATION OF CONTINUED ECONOMIC AID TO TURKEY

Continued economic aid to Turkey is essential to the defense and freedom of the United States for five important reasons.

First: Turkey occupies a position of tremendous strategic importance.

Second: The Turkish armed forces are among the largest and strongest in being today on the side of the free world.

Third: Turkey serves as a bridge between Europe and Asia. While firmly oriented to the West, it has close ties with and a deep interest in its Middle-Eastern and Asian neighbors who look up to Turkey with admiration. In the ferment which presently prevails in Asia, Turkey presents an outstanding example of resolute devotion to the ideals of the free world. Communism has been unable to make any headway in Turkey, and Turkish success in building democratic institutions has been matched only by the stability and determination she has shown in facing the Russian threat. Our own position in the Middle East may well hinge on the continued active orientation of Turkey to the free world.

Fourth: Turkey is supplying many strategic raw materials for the rearmament of the United States and her allies, and with proper development of existing resources, could soon supply more.

Fifth: Turkey's economy is not strong enough by itself to maintain indefinitely the military strength and national resolution with which she faces the threat of aggression today. Outside help is essential until the permanent strengthening of her economy can be accomplished.

I propose to discuss the fourth and fifth of these points in detail.

Strategic raw materials and foodstuffs

Turkey is primarily an agricultural country, and her industry is relatively undeveloped. She is playing a useful part in supplying the United States and Europe with significant amounts of certain indispensable strategic raw materials like copper and chrome. (Production of these minerals can be more fully exploited given United States aid.) At the same time Turkey must continue—as she has in the recent past—to supply Europe with important quantities of cotton, oil seeds, and foodstuffs.

Development programs undertaken with United States assistance promise to provide this year for the use of the free world significant quantities of coking and steam coal, iron and iron ore, and if vigorously pursued, to provide considerably larger quantities next year and the year after. While quantities are not impres-

sive in comparison with United States production, they can contribute appreciably to the difficult European position.

In addition, Turkey has unexploited resources of manganese, sulfur, and lead, all urgently needed materials for rearmament.

To sustain the present level of military effort, the Turkish economy must have outside help

Without outside aid Turkey's economy will be unable to sustain the heavy burden of military preparedness against Communist aggression. The Turkish economy is comparatively undeveloped. Living standards of its people are painfully low. A few illustrative facts and figures will perhaps be of assistance in visualizing this.

Eighty percent of her 21,000,000 people live in mud-brick dwellings in isolated villages.

The daily food consumption of the average Turk is about 2,000 calories—the lowest in free Europe. Cheap bread grains dominate the diet. Meat consumption per person per year averages 39.6 pounds compared with 105 pounds for the United Kingdom.

The average Turk consumes 0.8 of a pound of wool per year, the lowest of any Marshall plan country except Austria. He is able to secure far less cotton goods than any Western European—4.6 pounds as opposed to the Italian's 6.8, the next lowest, and to the Frenchman's 10.4.

Seventy-five percent of the people in Turkey never see coal. Annual per capita consumption of this fuel in a country which has a winter climate comparable to that of the northern half of the United States is one quarter of a ton, only a fraction of the consumption of the European countries.

The average Turk has at his disposal one-twelfth the electric power available to the Netherlands.

Only 1 Turk in 2,000 has an automobile.

The tax burden is a heavy one. A modern income tax with a lower scale of exemptions and higher effective rates in the lower and middle brackets than those in the United States has recently been adopted. The principal Government revenues are derived, however, from sales taxes and from customs duties on imported necessities which are equivalent to sales taxes. These imports already fall heavily on the bulk of the people, and in the opinion of various United States financial experts who have studied the question, their present rates cannot be substantially increased.

This weak and undeveloped Turkish economy has, since World War II, been bearing a military burden which might have crushed a less resolute people. In order to be prepared to meet the Russian threat, Turkey has been devoting an average of 39.6 percent of her national budget to defense since 1945.

The yearly figures are as follows:

The proportion of national defense expenditures in the general budget

	Percent		Percent
1945.....	45.38	1949.....	38.95
1946.....	40.69	1950.....	36.71
1947.....	34.89	Postwar average.....	39.63
1948.....	41.28		

These figures are all the more impressive when it is realized that they include only very minor sums for the pay of her soldiers, sailors, and airmen. These men, who have demonstrated an unsurpassed fighting spirit, serve virtually without pay, receiving the equivalent of about 12 cents, I repeat, 12 cents, a month.

This heavy spending for defense and the magnificent fighting contribution made by the Turkish troops in Korea sharply underline Turkey's determination to standfast against aggression not only in her own country but wherever it appears. But large as her effort already has been she is willing, indeed eager, to do more. In agreement with the American Military Aid Mission she has developed and is now putting into effect a supplemental program which will substantially strengthen her armed forces both in numbers and in combat power.

Since 1947 United States policy has recognized the need for supporting the Turkish military effort. However, the assistance rendered has been exclusively in the form of equipment and training designed to modernize and increase the fighting power of the Turkish Army. As the military experts will testify, great accomplishments have been made in this field. But military aid has added to, not lightened, the economic burdens of Turkey. The introduction of modern

arms and transport and increases in the scale of training, which in the past have been and are now so usefully building up the strength of Turkey's Army, Navy, and Air Force, have also increased consumption of expendable items, and requirements of petroleum products and all kinds of supplies which cannot be produced within the country. As a result of these factors, Turkey's foreign exchange requirements to maintain her defense efforts have increased substantially above prewar needs.

In 1948 Turkey was included in the Marshall plan in recognition of the fact that her situation called for and justified economic as well as military aid. Since then she has received allotments of direct dollar aid of \$152.5 million and net indirect aid in the form of purchasing power in other participating countries equivalent to \$79.2 million. Of the direct aid, \$79.5 million has been in the form of grants and conditional aid and \$73 million as loans. However, the economic problem in Turkey, unlike that of most of the other Marshall plan countries, has not been that of putting a war-weakened economy back on its feet, but of creating new facilities and skills. This has implied (and still implies) a continuing effort and the undertaking of investment projects requiring several years to bring to fruition. The aim has been and is to avoid a mere program of temporary relief which would leave the country no better off a few years hence than it is now, and to concentrate on producing a permanent increase in production power. In this way Turkey with American aid should in a few years be much better able to stand on her own feet in a strong posture of defense. These investment projects are in the field of agriculture, fuel, electric power, strategic materials, roads and railroads. The bulk of them are already well under way and may be expected to show results within 12 months or less. Others may take a year or two longer.

During the decade before World War II, Turkey was able rather precariously to maintain an approximate balance in her trade with foreign countries by a very strict control of imports and at a cost of becoming heavily dependent upon the German economy. The postwar situation is radically different. Turkey's international debt obligations, incurred in part to secure the armaments which enabled her to maintain her independence during World War II, now impose an annual repayment burden of around \$20 million a year. As already noted, her military burdens have greatly increased, and the urgency of raising her productive power to an entirely new level to permit her independent support of these burdens has become clear.

Turkey has made substantial efforts to increase the volume of her exports. These have resulted in a 25-percent increase in tonnage and an approximate 30-percent increase in adjusted value since 1937-38. Necessary imports however have increased still faster and in 1950 were, in terms of tonnage, 161 percent of 1937-38, and in adjusted value 185 percent. For example, as compared with 1937-38, 1950 imports were 275 percent for machinery, 237 percent for petroleum, 224 percent for vehicles, 194 percent for wool, and 405 percent for timber.

A balance-of-payments deficit of some \$30 million with the dollar area and \$50 million with the sterling and Western European area must be anticipated over fiscal 1951-52. It is this combined deficit of \$80 million which needs to be covered by foreign assistance if Turkey is to make her contribution to the military and economic strength of the free world. For the fiscal year 1952 it appears therefore that an allocation of \$70 million is the minimum which will permit Turkey to maintain and increase her armed strength and supporting economy, even allowing for a net drawing of \$10 million from the aid pipeline. Of this, a little over half is required for direct support of Turkey's military effort and the balance for its indirect support through the carrying forward of a minimum economic development program and the purchase of a small amount of essential consumption items.

United States assistance has had and will have tremendously useful byproducts through the generation of counterpart funds. Of the local currency generated by United States grant aid during the fiscal year 1951 and that requested for 1952, it is planned that a major portion will be used for the direct support of the military effort over and above the very large effort which has already been maintained ever since 1948. These local currency proceeds will permit the undertaking of supplemental military programs which, in the opinion of the American Military Aid Mission, will make vital increases in the effectiveness of the direct military aid supplied to Turkey. The Turkish Government has eagerly accepted the desirability of these supplemental programs but has felt that unless these local currency proceeds could be made available, it would be impossible to undertake them without seriously endangering the country's financial stability.

The balance of these local currency funds are being, and would be used to finance the manufacture of the limited line of light armaments which can to a

certain extent be produced in Turkey; for increasing the production of such strategic materials as chrome, copper, and sulfur; for the care and resettlement of the 250,000 Turkish refugees from Bulgaria; for the development of production of food, fuel, and power, and the purchase of transportation equipment. These expenditures will strengthen Turkey's own economy and help to counter the threat to her financial integrity inherent in the world inflationary situation and the heavy military burdens which she is carrying. They will also increase the production and export of vital raw materials such as coal, steel, and cotton, and significantly augment the supplies available to the west.

Continued economic assistance to Turkey on the scale requested will (a) cover the additional foreign exchange requirements imposed by her military effort, (b) carry forward a program for a rapid increase of agricultural and basic and strategic material productions, (c) prevent the already low standard of living from dropping to a point where the defense effort and national capacity to resist might well be weakened. The United States will thus enable one of the staunchest allies of the free world to contribute with ever greater effectiveness to the cause to which she is dedicated.

NIGHT SESSION

The committee met in the House Foreign Affairs Committee room, the Capitol, at 7:30 p. m., Hon. Thomas S. Gordon (acting chairman) presiding.

Mr. GORDON (presiding). The committee will come to order.

We have Congressman Meader here. I understand you have a statement, or did you want to relate your views on this bill?

Mr. MEADER. I have a statement I would like to make.

Mr. GORDON. Would you like to read it or insert it in the record?

Mr. MEADER. I would like to read the statement if there is time.

Mr. GORDON. You may do so.

Mr. MANSFIELD. This committee is going to be up and down all the time because of the roll call on the Defense Production Act, and I understand you have a party from Detroit, the Chamber of Commerce, I believe?

Mr. MEADER. Yes.

Mr. MANSFIELD. I think you ought to keep that in mind.

Mr. MEADER. Fine. I have copies of the statement. I will be glad to summarize it briefly.

Mr. GORDON. Yes, that will be all right. I think it will be the pleasure of the committee to get the high lights of it.

Mr. MANSFIELD. The whole statement will be incorporated in the record.

Mr. GORDON. That is right.

Mr. MEADER. I would like also to incorporate the remarks that I made on April 23, 1951, on the floor of the House, which I did not seek to duplicate in the statement I prepared for this hearing.

Mr. GORDON. In addition to your statement, we can put your written statement in the record.

Mr. MEADER. That will be all right.

Mr. GORDON. Is that the pleasure of the committee?

There are no objections. It will be so ordered.

**STATEMENT OF HON. GEORGE MEADER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MICHIGAN**

Mr. MEADER. I wish to thank the committee for providing me this occasion to present my views on foreign economic aid.

I previously had written to each member of the committee, enclosing a copy of a bill I introduced on April 23, 1951, which was referred to this committee, and a reprint of the remarks I made on that occasion. I did this so that the committee could be familiar with the approach and suggestions I wish to offer with respect to the means whereby the American people can contribute to the development of underdeveloped areas.

I do not wish to repeat the arguments I have advanced in my speech, but I believe it might be useful to include those remarks in the record of this hearing. It is my position that our Government should do all it can to enable the American people, individually and through business organizations, to make a maximum contribution to the development of the natural resources of underdeveloped areas. This should be done in addition to, and in conjunction with, any financial aid provided to foreign governments or their nationals by the American Government out of public funds. It should be for the mutual benefit of the inhabitants of those areas and those providing the capital and know-how necessary to such development.

It is my conviction that the contribution of private capital to the development of the natural resources of underdeveloped areas has not been greater because foreign investments are attended by unnatural political and economic risks not encountered in investments within the United States. Our Government has failed to do many things it could do to encourage private investors in this country as well as investors in other free enterprise countries, to engage in the pioneering task of developing the underdeveloped areas.

I do not pose as one who is capable, without further extensive study, of suggesting the solution to this problem. It is for that reason that I have recommended that a bipartisan commission, composed of representatives of both the executive and legislative branches of the Government, and persons from private life, be established and be entrusted with the task of studying the artificial barriers now inhibiting the risk-taking, pioneering investment of capital and know-how in underdeveloped areas. I have proposed that this commission recommend to the President and to the Congress ways and means of eliminating or minimizing those artificial barriers.

It is extremely important that this committee, in its deliberations on foreign-aid programs, clarify its philosophy with respect to the balance between governmental expenditure and private investment. I would like to state the reasons why I believe the role of the private investor in the development of natural resources of underdeveloped areas and, perhaps, in areas not regarded as underdeveloped, should be accorded greater emphasis than it has in the past, and why this committee should give attention to ways and means whereby our Government can more effectively contribute to the climate in which investment of private capital in foreign areas would flourish. I would like to commence my argument in favor of this position by restating briefly certain basic propositions on which I do not think there should be any disagreement.

First: We should recognize that there is today a world philosophical contest. On the one side are those who advocate a system of government and a society based upon state ownership of all property and state control and direction of the processes of production and distribution which is espoused by Russian Communist totalitarianism. On the other are those who advocate private ownership of property and the management of the processes of production and distribution by the people themselves, subject to the control of natural economic laws. This philosophy limits governmental regulation and supervision to the objective of providing equality of opportunity to all citizens, and preventing overreaching and unfairness in trade practices. The United States of America, because of its history, its favorable position geographically, its good fortune in natural resources, and its successes in productive methods, is the outstanding exponent of this competitive free-enterprise system.

Second: This philosophical contest embraces both material and spiritual considerations. It has been referred to as a cold or ideological war and, by some, it has been called religious warfare.

Third: Our objective in this contest should be to demonstrate, both by argument and by performance, that a free economy is superior to an economy of enslavement, not only because the means of satisfying human wants can be extracted from the resources of nature more efficiently, but also because people in a free society enjoy spiritual values denied the slave citizens of the police state.

Fourth: The standard of living of the United States, with respect to the quantity and quality of goods and services for the satisfaction of human wants and the preservation of the human freedoms guaranteed in our Bill of Rights, is—and has been—a living demonstration of the superiority of the free enterprise system. But we have been so preoccupied with our own development that we have neglected actively to evangelize and export the principles and practices of our system to other parts of the world. This we must do if we are to succeed in the world-wide contest for the minds of men against the fanatical forces of communistic totalitarianism.

Fifth: It is important that the United States should develop an affirmative foreign policy capable of assuming the offensive in this ideological contest, which both our Government, the American people, and the governments and peoples of other free societies can promote with the crusading zeal which can proceed alone from a firm and abiding faith in the principles upon which our society is founded.

Sixth: This philosophical contest is basic and all-important to the future of civilization. It may last decades or even centuries, and must be won by the forces which favor a free society. Marvelous technological developments in transportation, communications and warfare have obliterated the natural defenses of a century ago, with the inevitable result that the world can no longer survive half slave and half free.

As is frequently the case, I doubt that among this group there should be any disagreement about the soundness of the general propositions I have stated. Disagreements are more likely to arise over ways and means than over objectives. There probably is not a single member of this committee who would take the position that the American people ought to be excluded from the task of developing

underdeveloped areas through the natural interchange of goods and services, and in risk-taking activities in mining, manufacturing, transportation, communication, and other similar enterprises. I do not believe there is a single member of this committee, and there probably is not anyone in the administration—either in the State Department or other agencies of the executive branch of the Government—who would openly discourage the investment of American capital in foreign areas.

The question really is: What should our Government do to encourage and assist individuals and business organizations in the investment of capital and know-how in underdeveloped areas?

It is precisely because I believe no comprehensive answer exists, either within or outside the Government, at this time, that I recommend the creation of a Commission to conduct a penetrating study of this problem.

This Commission should consider alternative ways and means of enlisting the energy and resources of free peoples everywhere and in mobilizing those resources on our side of this ideological contest.

This Commission should provide a factual foundation for any policies and programs it may recommend. It should consult and take testimony from individuals who, through study or experience, have acquired knowledge of the obstacles and hazards confronting investors in foreign areas, and who may have valuable suggestions on concrete and practical measures which could eliminate or minimize such hazards.

This Commission should acquire an exceptionally able staff capable of reviewing and appraising the successes and mistakes of the past, and forging out specific and workable recommendations. The staff and membership of the Commission should be composed of individuals who, although fervently devoted to the free-enterprise system, have sufficient breadth of character to oppose exploitation, imperialism, and private monopolies.

Any encouragement to investment of private capital in underdeveloped areas may be attacked as American imperialism and dollar diplomacy.

This is a subject which should require the most thoughtful and statesmanlike attention of the Commission. President Truman warned against this type of aid when he said in his inaugural address:

"The old imperialism—exploitation for profit—has no place in our plans. What we envisage is a program of development based on concepts of democratic fair dealing."

The Commission ought to study and develop specific workable methods whereby governments may:

1. Prohibit and prevent imperialistic exploitation and monopolistic, restrictive trade practices.

2. Encourage—possibly through incentives, the granting or withholding of assistance, or otherwise—fair and ethical dealing and equality of opportunity under free and open competition.

The best defense against an attack of false propaganda is first to be innocent of the charge and, second, to make your intentions so plain, both by pronouncement and performance, that the false propaganda will not convince anyone. There is no way to prevent false charges being made. Nor should we be hesitant to embark on this

bold new program simply because someone may seek to misconstrue our motives.

In contrast to the fear of being misunderstood for attempting a private enterprise program, let me suggest that a foreign government might well resent as an infringement upon its sovereignty any ownership by the United States Government of productive facilities or other property in that country, either by fee title or by way of liens.

A serious question of international law and policy is raised if one government engages in proprietary activities within the jurisdiction of another sovereignty. Such a condition is avoided, however, when such developments are owned by private citizens, because they become subject to the sovereignty and the laws of the place in which their activities are conducted.

It is appropriate here to point out and emphasize that I am not the one who originated the suggestion that private capital should play an important part in the development of the natural resources of underdeveloped areas. President Truman, in pointing out that suffering could be alleviated through greater production by means of modern scientific and industrial methods, obviously contemplated that the bulk of the work would be done by private capital when he said, "And, in cooperation with other nations, we should foster capital investment in areas needing development," and, again, when he said, "Guaranties to the investor must be balanced by guaranties in the interest of the people whose resources and whose labor go into these developments."

The only thing I have suggested which may be new is that a commission be created to blueprint this bold new program, to breathe life and specific meaning into a noble concept, and to shape that program in the mold of a free, competitive society.

I do not find fault with those who are skeptical of the likelihood that a commission will successfully attack the problem, that it can destroy or even whittle down the obstacles and barriers now holding back natural economic forces. There have been good commissions, bad commissions, and do-nothing commissions. No one can guarantee success beforehand.

But this committee is now contemplating a program of foreign aid in which it is recommended that \$8½ billion of public funds be expended in 1 year. Further programs of similar or, perhaps, greater proportions may be proposed in the years to come. No one can now guarantee that there is a ceiling on this program of fifty, seventy-five or a hundred billion dollars, or that it will ever end.

Surely, when we are dealing with proposals of this magnitude, it would be folly to withhold the comparatively paltry sums necessary to finance a study which might save billions of public funds through discovering that aid can be more effectively provided by the American people in profitable, wealth-producing, private undertakings.

The Hoover Commission cost approximately \$2 million. To refuse to spend \$2 million to save \$2 billion is being penny-wise, pound-foolish.

However, as I view it, the possible dollar economies in the employment of our industrial machine for the development of production and distribution in foreign areas are the least of the benefits to be expected if the commission should be successful.

The most important benefit is the proof to the world that freemen in a free economy can better extract from nature's abundance the products necessary for decent living than can a system of organized slavery false-labeled as a people's democracy.

The opening of new frontiers through this program might also help to restore some of the pioneering spirit we have lost in this country as our economy has become older and our West has become settled.

Consideration should be given, also, to the great possibilities for better understanding throughout the world which undoubtedly would result from the interchange directly between the peoples of this country and those of other parts of the world. There would be created ties and contacts which would tend to discourage the misunderstandings which lead to international conflict.

The growth of interests and investments in other lands likewise would tend to prevent rash actions which might disrupt those interests and investments by leading to unfriendly acts between countries. If contact between nations is only among their officials and bureaucrats, the advantage of contact between the citizens of those countries is largely lost.

There is, too, the value to all nations involved in the creation of new wealth. When private endeavor creates value where before there was only potential value, the tax base of the countries is broadened, which allows for either more and better government activity and service because of increased tax revenues, or a lessening of the tax burden on the entire economy.

Unless we have faith in our system of a society of freemen, how can we expect other peoples to accept it? Unless we believe in an economy which utilizes in the processes of production and distribution the energy, the imagination, the courage, the initiative and the industry of men and women who are spiritually and economically free, how can we expect successfully to advocate such a system in the ideological contest which the world faces? How can we hope to oppose the sinister spreading system of economic, political and religious bondage which promises security and a division of wealth to entice distressed human beings into organized slavery?

I say it is the responsibility of this Government and the responsibility of this committee to devise ways and means whereby the American people, in a voluntary, natural, businesslike way, can do their part in the development of the world's resources and thus constitute a potent force in the all-important clash between two opposing political and economic systems. It is because I am convinced of the importance of enlisting and harnessing this force in connection with our foreign aid programs that I have made the suggestion contained in H. R. 3798.

I hope this committee will give this proposal, and other proposals with a similar objective, its most careful and prayerful consideration.

I have sought the views of individuals and organizations throughout the country who seem to have experience or backgrounds which could contribute to the evaluation of my proposal for a study commission on the point 4 program. For the information of the committee, I have received responses from the following:

State Department correspondence:

Mr. Jack K. McFall, Assistant Secretary

Mr. Dean Rusk, Assistant Secretary

Mr. Nelson A. Rockefeller, Chairman, International Development Advisory Board

Committee on the Present Danger:

Mr. Tracy S. Voorhees, Washington, D. C.

Mr. W. L. Clayton, Houston, Tex.

Mr. Julius Ochs Adler, New York Times

Mr. W. W. Waymack, Adel, Iowa

Dean Paul H. Appleby, Maxwell Graduate School of Syracuse University

Mr. William Green, president, American Federation of Labor

Mr. Charles Weyand, executive assistant, Nash-Kelvinator Corp.

Mr. Fred A. Compton, vice president, Detroit Edison Co.

Mr. George L. Ridgeway, director of economic research, International Business Machines Corp.

Mr. Elliott V. Bell, McGraw-Hill Publishing Co., Inc.

Mr. Gunther R. Lessing, Walt Disney Productions, Burbank, Calif.

Mr. George Romney, vice president, Nash-Kelvinator, Detroit, Mich.

Mr. John S. Cokeman, president, Burroughs Adding Machine Co., Detroit, Mich.

Mr. Earl Bunting, managing director, National Association of Manufacturers, New York City

Mr. Walter Lingle, Jr., the Procter & Gamble Co., Cincinnati, Ohio.

Mr. Elbert D. Thomas, High Commissioner, Trust Territory of the Pacific Islands.

Attorney James M. Tunnel, Georgetown, Del.

Mr. Chester Bowles, Essex, Conn.

Mr. Spruille Braden, former State Department official, New York City.

Mr. Maury Maverick, San Antonio, Tex.

Mr. Taylor Cole, managing editor of the American Political Science Review.

Dr. Harold D. Lasswell, Yale University School of Law.

Mr. Albert B. Corey, State historian, University of the State of New York.

Dr. James K. Pollock, chairman, department of political science, University of Michigan.

Prof. Myres S. McDougal, Yale University Law School.

Mr. Barry Bingham, the Courier-Journal, the Louisville Times, Louisville, Ky.

Mr. Stewart Alsop, Washington, D. C.

Mr. Edward R. Murrow, New York City.

Editorials:

Representative Meader's Plan, Jackson Citizen Patriot, Jackson, Mich.

A Bill To Get Facts on Point 4, Detroit Free Press, Detroit, Mich.

Point 4 Dangers, Rochester Democrat and Chronicle, Rochester, N. Y.

Handling of Point 4 Can Be Done Sensibly, Saginaw News, Saginaw, Mich.

Free Enterprise for Point 4, Nashville Banner, Nashville, Tenn.

Point 4 Application, Saginaw News, Saginaw, Mich.

Mr. Herbert M. Hadley, secretary, the Friends Meeting of Washington

Mr. John Anson Ford, Los Angeles, Calif.

Mrs. Henry G. Leach, New York.

Attorney Herbert S. Little, Seattle, Wash.

Attorney Michael Francis Doyle, Philadelphia, Pa.

Mr. E. S. Hartwick, Los Angeles, Calif.

Mr. Norris O. Johnson, economist, New York City.

Mr. H. N. Mallon, Dallas, Tex.

[Congressional Record]

AN AFFIRMATIVE AMERICAN FOREIGN POLICY

(Speech of Hon. George Meader, of Michigan, in the House of Representatives, Monday, April 23, 1951)

Mr. MEADER. Mr. Speaker, I have today introduced a bill to create a bipartisan Commission On Aid to Underdeveloped Areas. I propose this measure as a concrete step to advance the cause of self-government through free democratic principles and institutions. I hope this bill will receive the enthusiastic support of both Republican and Democratic Senators and Representatives.

Briefly described, the bill would establish a bipartisan Commission, patterned after the Hoover Commission, charged with the duty of studying and identifying the artificial barriers now inhibiting the natural economic forces, which would develop resources of the underdeveloped areas of the world, and recommending

to the President and to the Congress ways and means of eliminating or minimizing those artificial barriers.

If this Commission should succeed in its task, and if our Government, in concert with like-minded democratic governments, would proceed to apply the results of the Commission's study in actual practice, the forces of freedom and self-government could assume the offensive in the world-wide combat with the ideology of totalitarianism and slavery. Our Government, in leading this movement among the nations of the earth, would then supplant the negative, defensive policy of containment by a vital, kinetic, affirmative foreign policy.

I bespeak the support of my Democratic colleagues. This program is one upon which all Americans can, and should, agree. It transcends partisan tenets or considerations. It is founded upon the basic concepts of the freedom and dignity of individual man which are the very core of American democracy. Neither the Democratic Party nor the Republican Party has dared, or will dare, to abjure these basic, sacred principles.

But, for another reason my Democratic friends should assist in activating this program. Their leader, President Truman, in the address inaugurating his current term 2 years ago, espoused the objective which can be effectively achieved through the course I now advocate.

As a Republican, I can find no basis for quarrel with the objective, or with the phraseology in which it is expressed, in that passage of the inaugural address which advocated the development of underdeveloped areas. With the spirit and with the terms of that passage I am in complete and enthusiastic agreement. I regard that pronouncement as a remarkable expression of the redoubtable pioneering intrepidity which is the spirit and the heritage of the American Nation.

I would like to reread to you this passage. I invite each of you to test each phrase and the whole passage against his individual belief in our democratic society and its governmental pillars of freedom and self-expression. Tell me any part to which you cannot wholeheartedly subscribe. This passage reads as follows:

"Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.

"More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat, both to them and to more prosperous areas.

"For the first time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.

"The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

"I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

"Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

"We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies whenever practicable. It must be a world-wide effort for the achievement of peace, plenty, and freedom.

"With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial activity in other nations and can raise substantially their standards of living.

"Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guaranties to the investor must be balanced by guaranties in the interest of the people whose resources and whose labor go into these developments.

"The old imperialism—exploitation for foreign profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair dealing.

"All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experi-

ence shows that our commerce with other countries expands as they progress industrially and economically.

"Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge.

"Only by helping the least fortunate of its members to help themselves can the human family achieve the decent, satisfying life that is the right of all people.

"Democracy alone can supply the vitalizing force to stir the peoples of the world into triumphant action, not only against their human oppressors, but also against their ancient enemies—hunger, misery, and despair.

"On the basis of these four major courses of action we hope to help create the conditions that will lead eventually to personal freedom and happiness for all mankind.

"If we are to be successful in carrying out these policies, it is clear that we must have continued prosperity in this country and we must keep ourselves strong."

The bold new program described in the inaugural address which I have just read has, I believe, merits and advantages which were not brought out by the President. Nor have I seen the advantages I have in mind mentioned in the rather voluminous literature on the so-called point 4 program. I think it would be helpful to the consideration of the proposed legislation I have introduced to consider briefly what some of these advantages are.

As I interpret the inaugural address, the primary philosophy of the bold new program is humanitarian and philanthropic. It is based upon the proposition that the suffering, malnutrition, and misery in the world can be alleviated through the adoption of American techniques of production, and that the good will the people of this Nation hold toward the other peoples of the world ought to be expressed by doing what we can to alleviate misery. It also is suggested that, because marvelous developments in transportation have shrunk the world and brought us into closer contact with our neighbors, the improvement of their lot will redound to the benefit of our people.

I desire to associate myself with this philosophy. But beyond this mere humanitarian motive, the successful execution of this bold new program in the American spirit of free individual enterprise and initiative will have other far-reaching consequences of a beneficial nature.

I assert that, if the program is successful in the spirit in which it was conceived, it will minimize the causes and dangers of war, and it will promote stability in economic relationships between peoples in a world society based upon freedom of the individual and the proposition that governments are instituted for the benefit of the governed.

There is not time here to develop fully the advantages I have just stated. I think it is necessary only to suggest that, historically, the imperialistic aggressor has expanded his rule first against the weak and the unprepared. I think it is not inaccurate to say that the underdeveloped areas are vacuum areas into which the force of ambitious and ruthless power has a natural tendency to rush. To the extent that such vacuum areas are strengthened, become more independent, and develop national pride and consciousness, as well as a higher standard of living, to that extent will the dangers of their being overrun by a conqueror diminish.

The advantage to us of the establishment of an economy based upon individual enterprise in other parts of the world should likewise be apparent. The level of civilization, as we know it today, is directly dependent upon the extent to which there is specialization in production and exchange of goods and services. Exchange between a free economy and a controlled economy is difficult—one might say wholly impossible—without an adaptation of one system to the other in some form of compromise. For us in a free, competitive economy to deal with a totalitarian state proprietary economy would ultimately involve the establishment of a mechanism through which we could bargain on equal terms with a state monopoly.

An even greater advantage in the bold new program which I have not seen effectively expounded is that, if the aid to underdeveloped areas is carried out in the American spirit of enterprise, it will shift the offensive to the free democratic peoples in the ideological combat with totalitarianism. It will permit us and associated nations to demonstrate by performance the economic advantages of the free enterprise system. One ounce of action will outweigh tons of oratory and propaganda.

It is important that we should assume the offensive in the ideological combat with Communist totalitarianism. The weakness of our defensive policy of con-

tainment of Russian communism is that we can never win while we are on the defensive. It leaves the initiative in the hands of our opponent and requires us to be prepared to meet his next moves on a hundred fronts. No football team ever made a touchdown with the ball in the other team's possession.

Having stated my belief in the importance of the bold new program to aid underdeveloped areas in the American way, I would like to explain in somewhat greater detail the character of the Commission I propose to establish, and the reasons why I think that this task should be undertaken by a new Commission, rather than by any existing agency in the executive branch of the Government, or by a congressional committee or committees.

First of all, let me say the Commission would be a study commission, not an operating commission. It may be desirable later on to have a commission charged with certain responsibilities in carrying out any national program developed as a result of the study to be made. However, at this stage, it seems to me we first ought to find out what our policy should be and postpone until the completion of that task the creation of any agencies to carry it out. It is getting the cart before the horse to create an operating commission before we have decided what ought to be done.

Second. The Commission is a bipartisan commission. A program of this character cannot be successful unless it is enthusiastically supported by both political parties and by the people of the country who do not identify themselves with either political party.

Third. The Commission is provided with fact-finding powers. Unless a study is made which penetrates below the surface of emotional generalities, I have little faith that anything worth while will be accomplished. To be successful, we must get down to the bedrock of hard fact. Accordingly, the Commission I propose would have not only the subpoena power, but the right of call on the Government departments and agencies.

Furthermore, the hearings, the studies, and the reports of the Commission should, so far as possible, be conducted publicly so that the program, as it is developed, will be completely understood by the American people. Without such understanding, we would be likely to fail in securing the enthusiastic support of the people, without which the program as I visualize it could not be successful.

Fourth. The Commission would be freed from some of the standing limitations upon employment of staff personnel, and from some of the restrictions which might disqualify outstanding persons from serving on the Commission. This is necessary if we are to be able to call upon the best minds in the country for assistance in working out this program. Unless we enlist the most statesmanlike and most informed persons, the program has little chance of success. This point cannot be overemphasized.

Creating a Commission is only the first step. The caliber of the membership and staff of that Commission will determine the worth of the program that is produced.

I say it is conclusively established that no agency or department of the executive branch of the Government is capable of blueprinting this bold new program. The fact is that there has been no inhibition on such agencies and departments in the past from proposing and, indeed, from carrying into effect any of the steps which will be necessary if the underdeveloped areas are to be developed through the force of American initiative and enterprise.

A congressional committee might well conduct the study contemplated by the proposal I have made. However, I have seen no evidence of the development of the congressional investigative function to the point where we might expect that a congressional committee could successfully attack the problem here involved.

Congress has been, in my judgment, altogether too niggardly in the appropriation of funds for studies and investigations which would adequately inform it of the facts of a problem as a foundation for national policy.

Be that as it may, I believe there is another and, perhaps, more cogent reason for entrusting this task to a Commission in which private citizens would have representation.

The voluntary and enthusiastic support of our entire national economy is a prerequisite to the accomplishment of any significant progress toward the President's goal. The American people should have a part in formulating a program in which the vigor of their voluntary action will determine success or failure. I can think of no way in which they can participate directly except by the creation of a new commission on which the general public is represented.

Furthermore, the best minds that can be assembled, both in Government and in private life, will be needed to discover and to remove the underlying obstacles

now restraining the free operation of natural economic forces which can develop underdeveloped areas and create the abundance potentially existing in the world's natural resources.

I have prepared a tentative agenda of the problems which appear to me as the principal fields of inquiry in which the Commission ought to engage. There may be others equally as important which can be suggested by persons having a more intimate knowledge of international trade, of international investment, and international political problems than I possess. Furthermore, as the Commission engages in its studies, new problems may well develop.

This agenda is advanced, not as a comprehensive and complete one, but as a suggestion of the type of problem which ought to be solved, or the type of programs which ought to be considered and recommended.

The agenda is as follows:

First. Formulation of a plan to provide against expropriation of property of non-nationals without fair compensation, and a plan to eliminate double taxation.

Second. Facilitation of the exchange of currencies to permit conversion into dollars of capital and profits from capital invested in underdeveloped areas.

Third. Formulation of measures to promote and maintain free and equal opportunity for private business enterprises and to prevent monopolies and restrictive trade practices in international commerce.

Fourth. Correlation of the work of existing programs and agencies with the same or similar purpose, such as: The European Recovery Program, the Export-Import Bank, the International Bank and Monetary Fund, United Nations agencies and other international organizations, and scientific, educational, and cultural exchange programs.

Fifth. Formulation of projects and enterprises for private capital in mining, agriculture, transportation, finance, communications, etc., most likely to aid particular underdeveloped areas and to be profitable ventures for those undertaking them; means for providing a continuing informational service of facts and statistics useful to prospective investors.

Sixth. Formulation of self-liquidating international public works projects, to be jointly financed and managed, calculated to aid international trade and commerce. An international commission proposed the construction of the inter-American highway in central America on such a basis, but its plan has not been followed.

The Point 4 proposal will be significant only if it utilizes natural economic forces in developing backward areas for the mutual benefit of the occupants of such areas and those supplying the energy, enterprise, capital, and know-how making such development possible.

Government aid for this program, on a purely charitable basis, would be likely to be temporary and superficial. Government investment in speculative foreign enterprises would be contrary to our traditions and out of harmony with our free-enterprise system. Expanded trade and commerce between citizens would increase wealth and broaden the base of Government revenue while Government investment could be financed only through further taxation of an already overburdened national economy. Private enterprise can do this type of job better than Government bureaucracy.

It follows that the bulk of such development activity must be borne by private citizens and private capital, with the role of governments confined to the prevention of overreaching and discrimination; to the creation of an atmosphere favorable to the investment of private capital; and, in appropriate cases, the encouragement of worth-while projects by loans or subsidies or by participating directly or indirectly in self-liquidating international public works.

The greatest merit in the President's proposal lies in the possibility of proving to the world by performance, instead of mere abstract reasoning, that the way of life based upon the dignity of the individual and the utilization of the natural desire of the free man to improve his lot is sounder than a system of state-planned control of slave-citizens and state ownership and direction of the processes of production and distribution. In this light, Point 4 takes the offensive in the ideological battle with communism. It becomes a positive program.

Just as the United States miraculously outstripped state-controlled economies in war production in World War II by calling upon the immense store of energy and initiative residing in a free people, we can demonstrate the superiority of the free enterprise system over state-ownership and management in developing the world's natural resources for the benefit of its people.

It follows that the success of the Point 4 program will depend upon the enthusiasm of the American people in the same way that their patriotic and aroused

performance in World War II made our victory possible. A plan evolved in the secret recesses of Government bureaus, no matter how ably designed or how skillfully propagandized, will not serve to enlist widespread confidence and support of the people in a program from the formulation of which they have been excluded.

The problems requiring solution before the Point 4 program can enjoy any substantial measure of success are difficult and basic. They have defied solution thus far in history. They will not be solved unless we bring to bear upon them our ablest minds both in public and private life. They will not be solved unless, in a spirit of open-mindedness and absence of personal special interest, we seek the true, basic facts and shed any unsound past concepts and positions. Agencies clothed in the errors of the past would be unlikely to discover their own unsound commitments. They would be less likely to discard them if discovered.

The scope of the subject matter is so broad as to exceed the jurisdiction of any one executive department or bureau. Legislation and appropriations may be required. The voluntary and enthusiastic cooperation of all segments of industry, finance, agriculture, and our general national economy will be essential.

It is doubtful that an informal committee drawn exclusively from the bureaus and departments, with no statutory standing, would possess the power and the prestige necessary to the formulation of a "bold new program" and the enlistment of public support in its execution. Past performance of committees of executive agencies supports this conclusion.

Public hearings of the Commission, properly prepared and conducted, would provide great impetus to the program in educating the American public in the advantages and characteristics of the program, in taking advantage of a democratic forum for the presentation of conflicting views on objectives and methods; in generating confidence in the program as the result of the assurance that it is being developed openly and with the full participation of the public; and in allaying any possible fears of the rest of the world that the program is one of imperialistic domination and exploitation, which so frequently have characterized foreign economic operations in the past.

The foregoing seem to be the foremost considerations indicating the establishment of a commission as the most logical and practical method of translating a noble concept into a specific policy and program.

Of course, the creation of a commission with adequate power would be no more than a starting point. The caliber of the members of the Commission and the caliber of its staff would determine the quality of the performance in discharging the difficult task entrusted in it. It must be assumed that the appointive authorities would select able and patriotic individuals to serve in an enterprise of this magnitude.

Whatever we may think of the specific recommendations of the Hoover Commission, it should be universally conceded that that Commission and its task forces have forthrightly dug beneath the surface of the problems of the organization of the executive branch of the Government and have made basic and courageous recommendations in spite of vested interests in the status quo. No executive agency, or committee of agencies, could have acted with equal independence, speed, and incisiveness.

If formulas can be found which will stimulate the investment of private capital in backward areas and eliminate many of the political obstacles and risks now restraining the export of capital, we will find that a major step has been taken toward the creation of that flexible but stable economic and political order among all nations which will permit the search for material and spiritual happiness by free citizens in an atmosphere of free enterprise.

We will find that the causes of wars have been effectively minimized and that the general level of civilization has been substantially advanced through permitting the natural economic forces of specialization and exchange to work, free from artificial restriction.

Having outlined the nature and purpose of the proposal I have made, I think it will be helpful if I warn against certain misunderstandings which might conceivably arise. I will do this by saying what this program is not.

First, This program is not a substitute for any existing national policy. It is a new program, and, while it may make unnecessary certain existing agencies, it should be considered on its own merits and not as a replacement of any existing programs.

At this point it would be appropriate to analyze and comment upon the present so-called Point 4 program which has been in existence for the past 2 years and concerning which plans for expansion are under consideration.

The Point 4 program, as actually administered, has involved the expenditure of public funds on the order of \$33,000,000 for the past fiscal year. It has amounted to little more than a technical-assistance program, aiding other governments in bettering the lot of their citizens through improved sanitation and public-health services and agricultural methods.

If the money is efficiently and economically expended, it undoubtedly will have some benefit to the countries which are the recipients of this American generosity. However, it seems to me, aid programs of this character, financed by the American taxpayer and managed by the Federal bureaus, can accomplish only a very small fraction of what can be done in achieving the development of underdeveloped areas, thus raising living standards through employing the uniquely successful American principles and techniques of the free-enterprise system.

This program can in no sense be regarded as in conflict with our immediate need to defend ourselves against Communist military aggression. When we have strengthened the weak spots in the world and affiliated them with the free-enterprise system, we will have rendered our own defense stronger and less burdensome. Until that time we must press forward with sound programs for our defense with all the vigor and intelligence we possess.

To summarize, it is my view that the Government should seek to create the climate in which private enterprise can do the job of developing natural resources; that Government should police the activities of individuals and corporations so as to prevent overreaching, exploitation and monopolistic, restrictive trade practices and so as to insure equality and fair dealing in free and open competition; that Government, in providing statistical and scientific information, and possibly financial assistance, to all on equal terms, can assist and encourage the flow of private capital into the work of developing natural resources and other fields of manufacturing and trade; that Government can appropriately promote self-liquidating international public works as aids to production and commerce. The Government should not engage in proprietary undertakings nor make extensive grants or loans of public funds in private economic activities either to foreign governments or their nationals.

Let us reaffirm our faith in the economic and political philosophy upon which this Republic was founded. Let us believe that the liberation of the forces of the human soul which conquered our own wilderness and harnessed the forces of nature for the benefit of ourselves and our posterity can likewise be employed for the benefit of peoples who, only now, are emerging from the shackles of feudalism and slavery. Let us act in that faith. With humility, and anxious to absorb the many advantages of the cultures of the peoples whose material lot is less pleasant than ours, let us offer to contribute the pioneering, courageous, enterprising spirit which is our inheritance. But let it be the voluntary and spontaneous contribution of the American people in a self-sustaining, mutually beneficial economic movement. Let us not admit decadence and impotence in the free-enterprise system through engaging in state-owned, tax-supported proprietary activities reminiscent of the totalitarian socialism we abhor.

Mr. Speaker, I ask unanimous consent that there may be printed in the Record at this point the bill I have introduced providing for the establishment of a Commission on Aid to Underdeveloped Foreign Areas.

The SPEAKER pro tempore (Mr. Priest). Is there objection to the request of the gentleman from Michigan?

There was no objection.

The matter referred to follows:

"A BILL For the establishment of a Commission on Aid to Underdeveloped Foreign Areas

"Be it enacted, etc.—

"ESTABLISHMENT OF COMMISSION ON AID TO UNDERDEVELOPED FOREIGN AREAS

"SECTION 1. To assist in carrying out the purposes of the act for International Development, approved June 5, 1950, there is hereby established a bipartisan commission to be known as the Commission on Aid to Underdeveloped Foreign Areas (in this act referred to as the 'Commission').

"MEMBERSHIP OF THE COMMISSION

"SEC. 2. (a) Number and appointment: The Commission shall be composed of 14 members as follows:

"(1) Ten appointed by the President of the United States, four from the executive branch of the Government and six from private life;

- "(2) Two Members of the Senate appointed by the Vice President; and
- "(3) Two Members of the House of Representatives appointed by the Speaker.
- "(b) Political affiliation: Of each class of members, not more than one-half shall be from each of the two major political parties.
- "(c) Vacancies: Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

"ORGANIZATION OF THE COMMISSION

"SEC. 3. The Commission shall elect a chairman and a Vice Chairman from among its members.

"QUORUM

"SEC. 4. Eight members of the Commission shall constitute a quorum.

"COMPENSATION OF MEMBERS OF THE COMMISSION

"SEC. 5. (a) Members of Congress: Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(b) Members from the executive branch: The members of the Commission who are in the executive branch of the Government shall each receive the compensation which he would receive if he were not a member of the Commission, plus such additional compensation, if any, as is necessary to make his aggregate salary \$12,600; and they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(c) Members from private life: The members from private life shall each receive \$50 per diem when engaged in the performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

"STAFF OF THE COMMISSION

"SEC. 6. The Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, without regard to the provisions of the civil service laws and the Classification Act of 1949, as amended.

"CERTAIN LAWS INAPPLICABLE TO COMMISSION AND ITS STAFF

"SEC. 7. The service of any person as a member of the Commission, the service of any other person with the Commission, and the employment of any person by the Commission, shall not be considered as service or employment bringing such person within the provisions of sections 281, 283, or 284 of title 18 of the United States Code, or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States.

"EXPENSES OF THE COMMISSION

"SEC. 8. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this act.

"DUTIES OF THE COMMISSION

"SEC. 9. (a) Investigation: The Commission shall study and investigate the problem of aiding underdeveloped foreign areas and shall formulate and recommend to the President and the Congress specific programs for carrying out the purposes of the Act for International Development.

"(b) Reports: The Commission shall report to the President and to the Congress from time to time the results of its study and investigation, together with such recommendations as it deems advisable.

"POWERS OF THE COMMISSION

"Sec. 10. (a) Committees: The Commission may create such committees of its members with such powers and duties as may be delegated thereto.

"(b) Hearings and sessions: The Commission, or any committee thereof, may, for the purpose of carrying out the provisions of this act, hold such hearings and sit and act at such times and places, and take such testimony, as the Commission or such committee may deem advisable. Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission or before any committee thereof.

"(c) Obtaining official data: The Commission, or any committee thereof, is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purposes of this act; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestion, estimates, and statistics directly to the Commission, or any committee thereof, upon request made by the Chairman or Vice Chairman of the Commission or of the committee concerned.

"(d) Subpena power: The Commission, or any committee thereof, shall have power to require by subpena or otherwise the attendance of witnesses and the production of books, papers, and documents; to administer oaths; to take testimony; to have printing and binding done; and to make such expenditures as it deems advisable within the amount appropriated therefor. Subpenas shall be issued under the signature of the Chairman or Vice Chairman of the Commission or committee and shall be served by any person designated by them. The provisions of sections 102 to 104, inclusive, of the Revised Statutes (U. S. C., title 2, secs. 192-194) shall apply in the case of any failure of any witness to comply with any subpena or to testify when summoned under authority of this section."

Mr. SMITH of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. MEADER. I am glad to yield to the gentleman from Wisconsin.

Mr. SMITH of Wisconsin. Mr. Speaker, I want to say to the gentleman from Michigan that he has made a most comprehensive statement on the Point 4 program. I have been somewhat concerned about the approach we have been making to the program, because it had seemed to me that we were getting too much government into this picture, and I was much impressed by the gentleman's statements regarding the point where private initiative should enter. I think there are those who today are sponsoring the Point 4 program who feel that all of these investments should be made by the Government; that it is purely a Government operation; that at no time is there any place for the private profit motive to enter, that all of that is beside the point. I have been led to believe that the program as it is now constituted would result in the imposition of state socialism upon these backward areas. Now, if we can develop a program through such a commission as the gentleman suggests, I for one would like to associate myself with the gentleman in that movement. I am just wondering if the gentleman feels that we have already passed the point in view of our present studies where this might need a little more assistance and where the Congress of the United States ought to have something to say about the program. I am afraid we are having nothing to say about it except to appropriate the money.

Mr. MEADER. I appreciate especially the observations of the gentleman from Wisconsin, a valuable member of the Foreign Affairs Committee of the House. I would only say in reply to the question as to whether it is too late, that it is never too late to begin a program if it is a good one. Secondly, I appreciate particularly his expression of interest in this particular bill because the bill, I understand, has already been referred to the Foreign Affairs Committee of the House. If there is to be some difference of opinion about the approach between those who believe the private enterprise system can contribute substantially, or as I would put it, would perform the great bulk of the job of developing underdeveloped areas, and those, as the gentleman suggests, who believe it ought to be done by Government under some semisocialistic undertaking through grants of public funds, I think it would be very appropriate for those having different opinions to thresh out this question of basic policy before the committee of which the gentleman is a member. I hope he will be able to obtain hearings on the bill which has been referred to his committee.

Mr. SMITH of Wisconsin. I will be glad to try to make that effort.

Mr. MEADER. I thank the gentleman.

Mr. MEADER. I think I can present my suggestion briefly and extemporaneously so that the committee can understand what my objective is.

Mr. GORDON. Very well, Mr. Meader. You may proceed.

Mr. MEADER. The purpose of the bill that I introduced on April 23, as I explained it at the time, and as I amplified it in the statement which has been accepted in the record, is to enlist the aid of private enterprise in this country in the job of developing the natural resources of the underdeveloped areas of the world.

I said in the statement at the time I introduced the bill, and again repeat it, that I find President Truman's point 4 program a noble objective. I find nothing in that passage of his inaugural address to which I can take any exception whatever.

Incorporated in that passage is the idea that American methods, mass-production methods, and other techniques which have so successfully developed the natural resources of the American Continent, can very well be employed in the development of the natural resources in the underdeveloped areas of the world. I think free enterprise is embodied in the concept of the point 4 program.

Up to the present time, no great effort has been made on the part of our Government to encourage that activity of private enterprise and the contribution of private capital to the purpose of developing the natural resources of the underdeveloped areas. I believe much more could be done than has been done so that the development of the natural resources of the underdeveloped areas could be carried on through commercial activities by the people themselves as distinguished from Government donations on a government-to-government level, or by donations from our Government directly to nationals of other governments.

When I listened to the President's inaugural address I was impressed with the rather unusual picture the Chief of State of the leading Nation of the world advancing this proposal seriously as a national policy. I thought to myself as I listened to his address that he probably did not have the slightest concept of how to go about accomplishing that objective.

It then occurred to me that the next step in a program of this magnitude would be to attack the problem of what ought to be done. It seemed to me that the logical way to attack it would be to assemble the best minds that could be found, both in the executive branch of the Government, the legislative branch of the Government, and especially outstanding men from private enterprise, and to train those minds on this problem of how to go about developing the underdeveloped areas of the world in the American way, not to ape the totalitarian system, with which we are in ideological combat. It seemed to me that if you could get together a group of men like that, that you could attack some of the hazards that now confront the American businessmen, or the businessmen of any other country, who are willing to risk their capital and take their own chances in developing the natural resources of other parts of the world in the same way that our pioneer forefathers developed this country.

Some of these hazards are pretty well recognized: confiscation of property without fair compensation, double taxation, the instability of currency exchange, restrictive cartel monopolies which prevent

free and open competition. There are other similar hazards and obstacles to foreign investments.

It is my thought that this problem should be attacked. If it is successfully attacked, then the natural flow of economic forces will develop the undeveloped areas of the world by utilizing their natural resources far more successfully, far more economically, and far more usefully, from a number of points of view, than our Government can do it, regardless of the amount of money that the American people put up through their Government.

I would like to say that I don't see this as an either/or proposition. I believe there are some areas in which Government grants to other governments are perfectly appropriate. I think particularly where it comes to assisting a foreign government in governing a little better is one instance where government-to-government aid is applicable. Such activities as public sanitation, education, agricultural extension services could well be pursued on a mutual cooperative basis between our Government and the governments of the undeveloped countries in the world. Of course, some governments have hired administrative expert assistance at their expense, such as the Millspaugh mission to Iran.

But when it comes to developing mines, or constructing transportation facilities, or power developments, or establishing manufacturing concerns there, it seems to me, are the appropriate areas into which private enterprise should enter. I believe the American industrial system has much to contribute to the undeveloped areas of the world on a cooperative basis between those who are willing to invest their funds, their know-how, and their leadership from this country, or any other country of the world, and inhabitants of the area where those natural resources exist. I believe the commission I propose could minimize or eliminate some of the hazards which presently confront such investors.

What are the returns to be obtained if that result should be achieved? First of all, we will have demonstrated by performance that a free society can utilize and develop natural resources far better than totalitarian regimes could possibly do it under organized slavery, and that is what I regard communism to be. We don't have to do it by propaganda alone. Simply by effective performance of the mechanical task of utilizing the resources for the happiness of the people who reside there can we demonstrate the superiority of free enterprise over totalitarianism. It seems to me it is important we make that demonstration because I believe we are in a long-range contest of political and economic philosophies.

Some of us heard our contest with communism described the other day as religious warfare. I believe it is important that the principles of our society be accepted elsewhere in the world. Not just for the benefit of the people who live there, but, in part, because in international commerce it is necessary that we trade with the same type of economy that we have here. In trading with totalitarian economies, free economies would have to develop some kind of combinations in order to put themselves in a competitive bargaining position with a state monopoly.

I think the matter of cost also ought to be considered. This program now before this committee is a rather sizable program, even for

1 year. I do not think there is anyone who can guarantee how many years it will last, or whether it will ever end. If it is possible to expand the foreign investment of private enterprise, such expansion can substitute in part for what might otherwise have to be done at the expense of the taxpayers. We will then not only be cutting down the tax burden but at the same time we will be broadening the tax base. When private investment develops resources it creates wealth where there was nothing except potential wealth existing theretofore. This broadened tax base could either provide additional revenue to improve the services of Government, or it could be used to reduce the current tax burden.

I feel very strongly about this matter, but I am not sure that I haven't taken as much time as if I had read the statement which I had prepared. I came here primarily for the purpose of answering questions. I sent to each of the members of the committee, a few days ago, a reprint of the speech I made on April 23, 1951. I also asked to have everyone furnished with a copy of the statement I prepared for this occasion with the thought that I could save the committee's time by letting the committee members know in advance of my views and my proposal.

Mr. GORDON (presiding). I am more than sure that everybody appreciates your appearing here tonight, and I want to thank you for your statement.

I understand that you have with you tonight Mr. Frost, from the Detroit Board of Commerce, whom you would like to introduce to the committee.

Are there any questions from the members of Mr. Meader?

Mr. MANSFIELD. I would like to commend Mr. Meader not only for his enthusiasm but also the great amount of study that he has put into this. I notice he has spoken about this several times on the floor. I am sure that I for one and the rest of the committee will give a great deal of consideration when it comes to our study of the point 4 in the bill.

Mr. MEADER. Thank you, gentlemen.

Mr. CHIPERFIELD. I have not had the chance to study this bill as I should have, but I had some occasion to go into it pretty carefully today, and I have also read your statement very carefully and I can tell you have been doing a great deal of thinking on this matter, and, like the rest of us, you are very much worried about this problem.

Do you think it would be a good idea for this bill of yours to have it as an amendment to the pending act, or is it your purpose to have it considered separately?

Mr. MEADER. I do not think it is unrelated, although I haven't seen the act on which you are working.

Mr. CHIPERFIELD. I do not mean the act, but the pending foreign-aid proposal.

Mr. MEADER. That is a question of procedure. I do not believe I should comment on the proper parliamentary procedure without studying the question more intensively.

Chairman RICHARDS. We all appreciate your coming in, and appreciate your viewpoint, and assure you it will be given consideration.

Mr. SMITH. I am somewhat familiar with Mr. Meader's views on this matter, and was present on the floor when he first made his presentation. I want to compliment him again, as I did at that time,

on his novel approach, and I think we are all interested in the point 4 program if we can develop it without bolstering socialistic economies.

On page 2 of your statement you say, in paragraph 3, that—

Our objective in this contest should be to demonstrate, both by argument and by performance, that a free economy is superior to an economy of enslavement, not only because the means of satisfying human wants can be extracted from the resources of nature more efficiently, but also because people in a free society enjoy spiritual values denied the slave citizens of the police state.

I think that is a powerful statement, and it seems to me that we in this country have demonstrated that very principle, and as we look about Europe we find that in both England and France, and some of the other countries, they are bedeviled by the fact that there is too much socialism, that the incentives have been removed from a free society. Once you remove the incentives you just become the slaves of the state.

I will be glad to join with you in any way that I possibly can in attempting to incorporate your ideas either in the bill which we now have before us, or by separate legislation.

Do I understand you have a bill pending in our committee?

Mr. MEADER. Yes; House Resolution 3708.

Incidentally, I submitted this proposal to a great many people and invited their comment. I have here correspondence analyzing and commenting on my proposal, as is shown at the end of my prepared statement. I want to call attention to the correspondence with the State Department. Also I have made insertions in the Congressional Record of correspondence on H. R. 3708. I am not sure whether you want that incorporated in the record of this committee.

I have, for example, the comments of Mr. Nelson A. Rockefeller, Chairman of the International Development Advisory Board; Mr. W. L. Clayton, former Under Secretary of State in charge of economic affairs, and former Assistant Secretary of Commerce; Mr. W. W. Waymack, a former member of the United States Atomic Energy Commission; Mr. Julius Ochs Adler, vice president and treasurer of the New York Times, and a good many comments from other outstanding men in public life, in the field of political science, and in the business world. I think perhaps their comments might be of interest to the committee.

Mr. GORDON. What is the pleasure of the committee? Is there any objection to inserting it?

Mr. RICHARDS. I move we incorporate it in the record.

Mr. GORDON. It will be so done.

(The material referred to is as follows:)

DEPARTMENT OF STATE,
Washington, June 1, 1951.

MY DEAR MR. MEADER: The Department of State is gratified to note your interest in the point 4 program, as evidenced by your introduction of a bill to create a Commission on Aid to Underdeveloped Areas, to which you refer in your letter of May 18, 1951, to the Secretary. Your appraisal of the point 4 program as a positive and constructive element of foreign policy, with great psychological appeal to the masses of people in the underdeveloped areas, coincides with the Department's views.

As you pointed out in your speech in the House on April 23, 1951, the point 4 program of technical cooperation is now in operation, under the Act for International Development approved by the Congress in 1950. This program is being carried out by the Technical Cooperation Administration in the Department of State, under the direction of Dr. Henry G. Bennett as Administrator.

A good beginning has been made under this program, with an appropriation for fiscal year 1951 of \$31,500,000, which became available September 8, 1951.

In approximately 9 months, point 4 general agreements have been concluded with 26 countries, about 375 American technicians are at work on more than 100 projects in 31 countries, and about 250 technical trainees from other countries are receiving training in the United States.

It is worth noting that, in keeping with the provision of the Act for International Development requiring that other participating countries pay a fair share of the cost, the aggregate contributions of the countries receiving this kind of aid are three times the contribution of the United States.

The distinguishing characteristic of the program now being operated by the Technical Cooperation Administration is that it is a program of aided self-help designed to assist the people of underdeveloped countries to increase their productivity and improve their living conditions largely through their own efforts. Eighty to eighty-five percent of the people of these countries live on farms or in rural villages; they have a rural economy, usually in a rather primitive state.

The first essential for improving the lot of these people is an increase in food production, and the best way to do this is by improving their primitive tools and techniques by simple means—substituting scythes for sickles and steel plows for wooden ones, persuading farmers to plant better seeds, to use fertilizers and better cultivation practices, better harvesting methods, better preservation and storage of crops. At the same time, the people need to be shown how to practice elementary sanitation and to combat preventable disease. They need assistance in learning to read and write and to improve the schools for their children.

These are the primary, everyday problems of the overwhelming majority of the people of the underdeveloped areas. They are problems that do not require large amounts of money, of goods or equipment for solution. They require a grass-roots approach, such as the Agricultural Extension Service, the Public Health Service, and the public-school system have used in our own country with signal success. Those who have worked on the problems of underdeveloped countries believe these are the methods best suited to do a job that certainly needs to be done. These are the methods that call for the minimum contribution from the United States and the maximum contribution of the people we want to help.

Only when the great majority of people in these countries who live on the land are able to produce enough food to eat, and a surplus to feed their fellow countrymen, will there be labor available to man the industries the underdeveloped countries want. The increased production of agricultural commodities in itself will stimulate industrial development, through the processing of grains, fibers, leather, and other products. This is the way for these people to create more real wealth, which will enable them to accumulate capital to speed up their own economic development.

One of the main goals of technical cooperation is to help create conditions in the underdeveloped countries that will attract and make profitable private capital investment. At the same time, the United States Government is endeavoring to use other means, such as trade treaties, that will assure fair treatment of American investors abroad.

I have discussed the present program at some length because it is the Department's opinion that this program is sound and will yield excellent results at relatively small cost. It needs to be strengthened and expanded, which we hope can be done as a result of a moderate increase in appropriations for the program.

You are doubtless familiar with the fact that, pursuant to the Act for International Development, the President has appointed a nonpartisan group of representative citizens to serve as the International Development Advisory Board, under the chairmanship of Mr. Nelson A. Rockefeller. This Board, whose function it is to advise the President and the Administrator on board policy matters concerning point 4, recently issued a report to the President on the subject, entitled "Partners in Progress."

I believe you will find that this Board is fulfilling many of the functions you contemplate for the Commission proposed in your bill.

Because of your manifest interest in point 4, I believe you would find it well worth your while to discuss the present program with Dr. Bennett, who can give you more detailed information both as to the objectives and the operations of his organization. I am therefore asking Dr. Bennett to call you in the near future.

The Department would welcome action by the Congress which would further support and strengthen the existing mechanisms for making the point 4 program a powerful arm of American foreign policy and a bulwark of the free world.

Sincerely yours,

JACK K. McFALL,
Assistant Secretary
(For the Secretary of State).

JUNE 2, 1951

HON. JACK K. MCFALL
*Assistant Secretary of State,
Department of State, Washington, D. C.*

DEAR MR. MCFALL: Thank you for your three-page letter of June 1, in response to my letter of May 18 requesting comments on my bill to create a Commission on Aid to Underdeveloped Areas.

In general, I am aware of the technical assistance program engaged in to contribute toward accomplishing the objective announced in point 4 of President Truman's inaugural address. I have discussed the matter with Mr. Samuel Hayes of the point 4 staff and have familiarized myself with a great deal of the literature on the subject.

I note your reference to "Partners in progress" and the work of the International Development Advisory Board under Mr. Nelson Rockefeller. The enclosed copy of my letter to Mr. Rockefeller, dated May 28, in response to his letter of May 24, a copy of which is also enclosed, indicates my doubt that the International Development Advisory Board has solved the underlying problems which, in my judgment, must be solved before any appreciable contribution to the development of underdeveloped areas can be made in the American free enterprise spirit by private investors.

I am not certain whether you concur that a fact-finding commission might penetrate more deeply than past efforts into the obstacles and hazards which I believe we all recognize are presently restraining natural economic forces from developing the resources of underdeveloped areas. However, your final paragraph endorses congressional action to support and strengthen efforts to accomplish the point 4 objective, and might be construed as expressing general sympathy with the objective of my bill, although it could hardly be interpreted as a specific approval of the method I have suggested.

If there are any flaws in my proposal, I think it would be most helpful to the Congress for the State Department and its expert technical staff to point them out early in congressional consideration of this subject. I might say that, with this purpose in mind, I have circulated the reprint of my remarks, which was sent to you, rather widely among governmental and private circles of clear-thinking public officials and citizens who, because of their background, ought to be a position to provide constructive criticism of the idea I have advanced.

Of the replies so far received, I think it would be fair to say that none have strenuously objected to the fact-finding commission idea, though some have had less confidence in its efficacy than others. The response has been almost universal in approving the encouragement of private—as opposed to governmental—contribution to the task of developing underdeveloped areas, and the establishment of a positive—rather than a negative—program in the ideological combat with totalitarianism has been enthusiastically endorsed.

I have supplied the foregoing information in the hope that the Department of State may see fit to particularize its comments on my proposal.

Sincerely,

GEORGE MEADER.

DEPARTMENT OF STATE,
Washington, June 11, 1951.

HON. GEORGE MEADER,
House of Representatives.

MY DEAR MR. MEADER: Thank you for your letter of May 21 asking for comments on the bill you introduced in the House of Representatives to create a commission on aid to underdeveloped areas. I shall not make a detailed reply since I associate myself with the letter sent you on June 1, from Assistant Secretary McFall on behalf of the Secretary. I would, however, referring to your speech in the House of Representatives on April 23, add my hope to yours that our aid programs will minimize the causes of war and improve economic relations between peoples in a world system based upon freedom of the individual and the proposition that governments are constituted for the benefit of the governed.

I hope you have had an opportunity to discuss with Dr. Bennett, Administrator of the Technical Cooperation Administration in the Department of State, the objectives and operations of his organization and other related matters of interest to you both.

Sincerely yours,

DEAN RUSK,
Assistant Secretary of State.

AN AFFIRMATIVE FOREIGN POLICY

INTERNATIONAL DEVELOPMENT ADVISORY BOARD,

May 24, 1951.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I was very much interested in reading a copy of the bill H. R. 3798 which you have introduced to stimulate the study of aid for underdeveloped areas. Your remarks in the House at the time followed in so many ways the thinking of the International Development Advisory Board that I am taking the liberty of sending you the enclosed copy of a summary of the report which our Board made to the President in March. If you do have time to go over it, I should certainly appreciate any comments you might have.

Sincerely,

NELSON A. ROCKEFELLER.

MAY 28, 1951.

NELSON A. ROCKEFELLER,
Chairman, International Development Advisory Board,
New York, N. Y.

DEAR MR. ROCKEFELLER: Thank you for your letter of May 24, 1951, in which you comment upon my bill, H. R. 3798, and the remarks I made on the floor of the House at the time of its introduction.

I also thank you for sending me a copy of your board's report, entitled "Partners in Progress." As a matter of fact, I had obtained a copy of this report from the White House as soon as I saw it announced in the papers, and I had read it with considerable interest. In addition, I had previously familiarized myself with the Gray report. I have also read the President's message on the proposed military-economic aid program submitted to the Congress last Thursday.

The question, it seems to me, is primarily one of emphasis. Both the statement in point 4 of the inaugural message and Partners in Progress recognize that private enterprise should play an important role in the development of underdeveloped areas. The President's message of last Thursday has far less reference to the role of private enterprise than previous official statements dealing with the point 4 program. I hope this does not indicate a trend in official thinking in the direction of government assumption of the major responsibility for development of underdeveloped areas on a grant basis—to the exclusion, for all practical purposes, of the role of the private investor.

The objective of my bill, of course is primarily to attack the difficult economic and political bottlenecks and roadblocks which have held back natural economic forces which could develop the underdeveloped areas in the same way the natural resources on the North American continent have been developed.

Partners in Progress recognizes that private enterprise has a primary function in the first area of operation discussed in that report; namely, production and distribution. I do not believe the report purports to claim that the basic problems which have been preventing greater contribution to the development of underdeveloped areas through private investment have been solved.

It is to contribute to such solution that I recommend the creation of a Commission on Aid to Underdeveloped Areas.

Sincerely,

GEORGE MEADER.

INTERNATIONAL DEVELOPMENT ADVISORY BOARD,
New York, N. Y., June 12, 1951.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: Thank you for your letter of May 28. I regret that my absence from the city on speaking engagements as well as a trip to Venezuela prevented an earlier reply.

I agree completely that it is of prime importance to release those economic forces which could develop the underdeveloped areas, and every effort to stimulate the productive influence of private investment is certainly to be desired. For this reason, I welcome particularly your efforts to bring about a better understanding of the part that private enterprise can and should play in this field.

With best wishes,

Sincerely,

NELSON A. ROCKEFELLER.

LET US EXPORT INDEPENDENCE

Mr. MEADER. Mr. Speaker, two events make it appropriate to call to the attention of the Congress the proposal I made April 23, 1951, to create a Commission on Aid to Underdeveloped Areas.

Tomorrow we commemorate the one hundred and seventy-fifth anniversary of the establishment of a Government of limited powers and residuary sovereignty in the people themselves. This free economic system has enabled the American people to extract from the resources of nature an abundance heretofore unknown to civilization.

Currently, the House Foreign Affairs Committee is holding hearings on foreign military and economic aid, involving a proposed annual expenditure of \$8,500,000,000 by our Government.

My bill aims at making available to less fortunate regions and peoples the free political and economic system which, in 175 years, has proved so beneficial to the American people.

It proposes to clear the way for aid to be provided by the American people themselves in the American tradition. It is founded upon the faith that American know-how, American capital, and American good will will be exported to underdeveloped areas, without expense to our Government, if we can break down barriers now inhibiting the operation of natural economic forces.

The Commission to be created by this bill would be delegated the difficult task of finding out why private enterprise is not now pioneering in the development of the natural resources of underdeveloped areas for the mutual benefit of the inhabitants of those areas, and those who contribute the enterprise, risk taking capital, and know-how necessary to the development of the resources.

The adoption of this program would be a restatement of the faith of those who founded our system in the capacity of the people themselves to work out their own destiny and own livelihoods if only they are free from the tyrannical yoke of a despotic central government.

Now that the House of Representatives, through its Foreign Affairs Committee, is giving serious consideration to a \$4-billion dollar proposal for 1 year's aid to foreign governments and their citizens, it is timely that we should inquire to what extent economic assistance is being provided through the voluntary activity of our citizens, and whether or not our Government can help create a climate in which such assistance can be increased.

I do not propose to develop at this time the reasons why I believe this effort should be made. A brief summary of those reasons is contained in the remarks I made on the floor of the House on April 23, 1951.

Mr. Speaker, I propose to read only three paragraphs from those remarks to describe the nature and objective of this bill. I quote:

"Mr. Speaker, I have today introduced a bill to create a bipartisan commission on aid to underdeveloped areas. I propose this measure as a concrete step to advance the cause of self-government through free democratic principles and institutions. I hope this bill will receive the enthusiastic support of both Republican and Democratic Senators and Representatives.

"Briefly described, the bill would establish a bipartisan Commission, patterned after the Hoover Commission, charged with the duty of studying and identifying the artificial barriers now inhibiting the natural economic forces, which would develop resources of the underdeveloped areas of the world, and recommending to the President and to the Congress ways and means of eliminating or minimizing those artificial barriers.

"If this Commission should succeed in its task, and if our Government, in concert with like-minded democratic governments, would proceed to apply the results of the Commission's study in actual practice, the forces of freedom and self-government could assume the offensive in the world-wide combat with the ideology of totalitarianism and slavery. Our Government, in leading this movement among the nations of the earth, would then supplant the negative, defensive policy of containment by a vital, kinetic, affirmative foreign policy."

I wish to bring to the attention of the House some of the comments made on my proposal by certain outstanding citizens in Government, in labor organizations, in the field of political science, and in business. As soon as the reprints of my remarks of April 23, 1951, on the point 4 program were available, I circulated them widely among persons who, in my judgment, could contribute constructive thinking to the problem of aid to underdeveloped areas.

Out of more than 200 replies, all but a very few endorsed my proposal enthusiastically. I will read a few representative comments.

First let me read a letter from the committee on the present danger by Tracy S. Voorhees, attorney, former Under Secretary of the Army and War Department Food Administrator for occupied areas:

COMMITTEE ON THE PRESENT DANGER,
Washington, D. C., May 17, 1951.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I have read with great interest your letter of May 11 and its attachment.

As you will note in the statement of objectives to which you refer, the committee on the present danger is working for "A national policy of averting world war III by confronting the aggressors with a strong free world." The Communist aggression in Korea clearly revealed that the free world was far from strong in a military sense. For that reason, we have urged as a matter of paramount importance that defense forces adequate to deter or repel aggression be built up in the United States and allied nations at the earliest practicable date. We are fully aware, however, that the economic strength of the free world is not only an essential component of military strength but is also the first line of defense against Communist subversion from within. The committee now has under consideration a detailed study of this aspect of the problem and will make a public statement of its conclusions in the near future.

My own convictions are substantially in harmony with those expressed in the reprint of your speech. Specifically, I would agree that a properly conceived program of economic development in the underdeveloped areas would "minimize the causes and dangers of war," that the bulk of the undertaking must be financed with private capital, and that the efforts which we have made to date are most inadequate to achieve the goals we seek in those areas. I should also like to suggest two additional points: First, that we should go forward with the present plans for these areas, however inadequate they may be, to the extent consistent with our broad objectives, while working out on a bipartisan basis a more broadly conceived and affirmative policy; and second, that the development of these areas is of vital importance to the permanent welfare of the industrialized countries, particularly Western Europe and Japan, and will require the fullest practicable use of their resources. We have effectively stimulated mutual aid in the administration of the recovery program in Europe and are now embarked on a joint enterprise with other North Atlantic Treaty countries for the defense of Europe, the success of which will depend in large measure on the efforts of our European partners to help themselves and to help each other. In my opinion, we should seek in the administration of our aid programs and in other ways to promote a similar cooperative effort for the development of the underdeveloped areas.

Thank you for bringing your excellent speech to my attention:

Sincerely yours,

TRACY S. VOORHEES.

Next is a letter from W. L. Clayton, of Anderson, Clayton & Co., Houston, Tex., former Under Secretary of State in charge of economic affairs and former Assistant Secretary of Commerce. On May 25, 1951, Mr. Clayton wrote to me as follows:

ANDERSON, CLAYTON & CO., INC.,
Houston, May 25, 1951.

Hon. GEORGE MEADER,
House Office Building, Washington, D. C.

DEAR MR. MEADER: On my return home I find your letter of May 10, with enclosure, which I have read with much interest.

I heartily agree regarding the necessity of aiding underdeveloped countries to develop their resources. You may be interested in reading the enclosed copy of a radio address I made on April 1, a portion of which has to do with this very question.

Mr. Tracy Voorhees has sent me a copy of his letter to you of May 17 with which I fully agree.

With best wishes,

Sincerely yours,

W. L. CLAYTON.

Mr. Julius Ochs Adler, also a member of the Committee on the Present Danger, vice president and treasurer of the New York Times, and former civilian aide to the Secretary of War, wrote me on May 25, 1951, as follows:

THE NEW YORK TIMES,
May 25, 1951.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: Absence in Europe has prevented an earlier acknowledgment of your letter of May 9 enclosing copy of your remarks regarding point 4 before the House of Representatives.

In the interim I also found copy of a letter from Mr. Tracy S. Voorhees, vice chairman of the Committee on the Present Danger, to you acknowledging a similar communication. Mr. Voorhees has expressed exactly my own feeling in regard to your most excellent speech.

With appreciation of your thought in affording me the opportunity of reading it,
Yours sincerely,

JULIUS OCHS ADLER.

The next letter I should like to read is one from Mr. W. W. Waymack, a newspaperman, former member of the United States Atomic Energy Commission, former chairman, Economic Policy Committee and National Resources Planning Board, former special adviser to the Department of State and member of the National War Labor Board, and consultant for the Food Administration. On May 19, 1951, Mr. Waymack wrote me as follows:

ADEL, IOWA, May 19, 1951.

DEAR CONGRESSMAN MEADER: Thank you for the reprint of your speech on the floor of the House of Representatives April 23, sent to me as a member of the Committee on the Present Danger.

I, as a citizen, see great merit in your proposal. I have always liked the idea and the device of the objective fact-finding commission. I have been impressed by the excellent use which nations of the British Commonwealth have made of this approach to complex problems through the decades. I agree with your judgment that we have often handicapped ourselves in this country by not making more use of it. I certainly think that we need better understanding of all the realities involved in trying to give effective and acceptable assistance to underdeveloped countries. I agree that it is essential for us to move faster and more boldly in this undertaking, both for the humanitarian reason that you mention and also, very practically, in order to make genuine promise to peoples for whose urgent problems answers must be found. I agree that it would be extremely valuable to ourselves to fix upon a great constructive goal—a concrete, affirmative program for a better world. I consider this not in the least visionary, but a challenge that is forced upon us in our own interest by the state of the world.

I could go on and point out difficulties in this or any other approach. I could raise warnings as to things to beware of. Any other person who tries to be thoughtful could do that, too, and many could do it better. But difficulties and dangers are inherent in any tackling of the world's major tasks. I confine myself therefore to the central idea and simply say that I consider it immeasurably important for America to put itself in the position of obviously wanting and intending to lead vigorously in helping to solve the problems of great masses of peoples who, first, have a right to solution, and who, second, otherwise are all too likely to drift into "the other camp," with its glittering promises and ready-made formulas.

I should personally find the commission approach very acceptable. A commission set up for the purpose would have to consist of wise men, exceptionally capable of discerning, exposing and facing all the real problems objectively.

Sincerely,

W. W. WAYMACK.

AN AFFIRMATIVE FOREIGN POLICY

Extension of remarks of Hon. George Meader, of Michigan, in the House of Representatives, Thursday, July 12, 1951

MR. MEADER. Mr. Speaker, recently I listened with interest to a former Communist who had been converted to the philosophy of a free economy. He described our ideological contest with the totalitarian Soviet system as religious warfare. He described the Communists as religious fanatics burning with crusading zeal for the cause in which they intensely, though mistakenly, believed. He cautioned that the free world could not combat an idea, however erroneous, with a vacuum.

In House Resolution 3798, I sought to contribute to the development of an affirmative foreign policy through demonstrating to the peoples of the world by performance that free enterprise is a superior economic system to totalitarianism.

Very thoughtful comment and constructive criticism is contained in correspondence with Dr. Paul H. Appleby, who is dean of the Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University; former Assistant Director, United States Bureau of the Budget; former Under Secretary of Agriculture; former Special Assistant to Lend-Lease Administrator; and member of International Food Missions.

For the benefit of the Congress in its current consideration of the proposed foreign-aid program, I am inserting this correspondence in the Record:

SYRACUSE UNIVERSITY,
Syracuse, N. Y., May 25, 1951.

DEAR MR. MEADER: I acknowledge with hearty thanks your letter of May 17 and the enclosed reprint from the CONGRESSIONAL RECORD.

In general terms I applaud heartily your purposes and nearly all of your remarks. I think the general point you make is indisputably valid and the dramatization through some such device as your proposed commission would be a thoroughly constructive step. I think you are to be congratulated on your insight and on your freedom from damaging partisan bias.

I have qualms about one part of your enunciation of agenda points. It seems to me that some of your phrases and some of your paragraphs could be interpreted—without unfairness, even if not correctly—as a certain kind of "imperialistic" drive on behalf of American-type capitalism. At least, your language does not overtly, I think, recognize adequately the many variations in economic structures characteristic of modern societies outside of the Iron curtain area, and the insistence of these nations on building in their own terms and not in terms that we find quite satisfactory in the United States. The nationalization of oil or the eviction of foreign ownership of an oil industry, has become a considerable problem internationally just now and illustrates the difficulties I had in mind. Actually, the foreign ownership of important industries in Yugoslavia, in Iran, in Iraq, in Mexico, in India, and in China has been an important aspect of the problem of world order, and if I read your proposal correctly it is predicated rather too sharply on an assumption of great increase in investment of the very kind that has proved offensive in the past. In many parts of the world and in case of certain kinds of investments, it seems to me that a realistic and cooperative approach to the problem of cooperation and world order will of necessity dictate a good deal of help directly to governments and directly through and from our own Government. I don't believe that the issue is wholly an either/or one, but any adequate general approach to the problem you are addressing, it seems to me, ought to include in its terms of reference possibilities for both governmental expenditure and investment and private investment.

With your more fundamental position, I think as already indicated, that there can be no quarrel at all. In one way it may be said that the modern world problem is a problem of raising the standard of living in the rest of the world at a rate commensurate with our own capacity for economic betterment. The United States is in the position of the family of privilege described long ago by Carlyle: that family declined interest in the needs for sanitation and health provision in the city at the foot of the mountain on which the family resided and when the plague came it did not stop at the foot of the mountain. The United States by its very economic preeminence has more at stake than any other society in the business of achieving a kind of world well-being which will bulwark our own attainments and values.

With congratulations on your statesmanlike point of view, and with hearty good wishes, I am

Sincerely yours,

PAUL H. APPLEBY.

JUNE 1, 1951.

Dr. PAUL H. APPLERY,
Dean Maxwell Graduate School,
Syracuse University, Syracuse, N. Y.

DEAR DEAN APPLERY: Thank you for your thoughtful comments of May 25, 1951, on my proposal to establish a commission on aid to underdeveloped foreign areas.

You have put your finger on the point most likely to be attacked by those unfriendly to the idea. I sought to make clearly, briefly, as did the President in his message—that it is a responsibility of governments to prevent Imperialistic exploitation. I envisage as one of the most important and difficult tasks of the commission the development of workable and enforceable means to prevent such abuses of the free enterprise system. The Sherman and Clayton Acts, other antitrust legislation, and the efforts of the Federal Trade Commission and the Department of Justice leave much to be desired in maintaining equality of economic opportunity within the United States. Cartels and monopolies abroad are not regarded in the same light as are restrictive trade practices and agreements here. Evolution of an acceptable policy and workable means of enforcing it would not be easy. I don't pretend to know the solution. Perhaps, an able commission, after careful study, would not find it. I attempted to do no more than state an objective in the passages I have underlined in red on the enclosed reprint.

I recognize, also, that the statements in my speech might be interpreted to be an expression of pride in all things American, and an intention to make over all peoples into our images. Actually, I hold no such views. Religions, traditions, social customs and practices, as such, to the extent they do not impair an individual's right to make his livelihood in a free, competitive economy, need not be affected in any way. Any modification required by changed economic conditions would very likely be slow, depending upon education and acceptance of more modern concepts. This is a vast subject, but I would not pretend that religion and customs have no bearing on the economic plight of the underdeveloped areas. Nor do I advocate that they be "Americanized," except that I think they should have "free"—as contrasted to "totalitarian"—economies if the point 4 objective is to be attained. I sought, at least, to hint at this attitude near the end of the third column on page 3.

I agree that the problem is not either Government grant-in-aid or private investment, but a judicious and balanced combination of both. Your reference to Carlyle's episode is apt—but I would counter that the greatest favor we can do for the underdeveloped peoples is to help them establish for themselves a system where the dynamic forces of individual free man are unleashed in the economic development of the natural resources of the areas they inhabit.

Sincerely,

GEORGE MEADER.

SYRACUSE UNIVERSITY,
Syracuse, N. Y., June 7, 1951.

Mr. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: It was a real satisfaction to get your letter of June 1. While I had made my comment not on any assumption that your own thinking had missed anything that I might point out, but rather in terms of how others might interpret what you had in mind, the time you took in writing your letter was well spent as far as I am concerned. It reinforces my earlier judgment that you are pursuing with exceptional understanding an undertaking of great potentialities. You have my heartiest best wishes.

Sincerely yours,

PAUL H. APPLERY.

AMERICAN FEDERATION OF LABOR,
Washington, D. C., June 7, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: I herewith acknowledge receipt of your letter dated June 5 with copy of H. R. 3798 which you introduced in the House of Representatives on April 23 and which applies for the creation of a Commission on Aid to

Underdeveloped Areas, together with copy of an address which you delivered in the House of Representatives on April 23.

I welcomed the reference you made in your letter to the article published in the April May issue of Labor's Monthly Survey entitled "The Road Ahead to a Free World," and to those you made regarding the measure which you have sponsored and which you introduced into the Congress of the United States.

I am sure I will be pleased to comply with your request to give your measure very thoughtful and careful consideration. I feel sure we can extend to it our official support. Your bill deals with a subject which has been occupying the attention of the administrators of our Government and many American citizens as well.

With all good wishes, I beg to remain

Very truly yours,

WILLIAM GREEN,
President, American Federation of Labor.

NARR-KHEVINATOR CORP.,
Detroit, June 28, 1951.

Hon. GEORGE MEADER,
Congressional Office Building, Washington, D. C.

DEAR CONGRESSMAN MEADER: We believe that prior to taking any tangible steps for the implementation of the point 4 program, Congress should pass the Meader bill for the establishment of a bipartisan commission to investigate and report on ways and means to remove barriers to overseas private investments.

By increasing foreign investments on a business basis with appropriate guarantees against expropriation and with assurance of conversion into dollars of annual returns on such investments, the American taxpayers might well be relieved of a heavy financial burden inherent in the government-to-government formula of foreign aid.

We congratulate you for your constructive contribution to the point 4 program as proposed in the Meader bill.

Our best wishes for your success in securing passage of your proposal.

Sincerely yours,

C. W. WEYAND,
Executive Assistant.

THE DETROIT EDISON CO.,
Detroit, Mich., July 10, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I was very happy to receive a copy of your speech on American foreign policy which Mr. Durbin was kind enough to give me. I note with particular interest the positive and concrete approach that you have taken to the problems of overseas development. Particularly outstanding is the effort which you have exerted to place emphasis on the part of private enterprises in implementing the objectives of our foreign economic policy. The Detroit Board of Commerce has given considerable publicity on the major developments many firms have already made in expanding their overseas manufacturing facilities. However, our ability here in the United States to do the job can best be shown by intelligent and positive action.

Let me compliment you for the wonderful progress that you have made in this direction and in furthering those outstanding objectives of your thinking.

Sincerely,

FRED A. COMPTON.

INTERNATIONAL BUSINESS MACHINES CORP.,
New York, N. Y., July 12, 1951.

The Honorable GEORGE MEADER,
The House of Representatives, Washington, D. C.

DEAR MR. MEADER: In Mr. Watson's absence, I am writing to acknowledge and thank you for your letter enclosing a reprint of your statement of April 23 in Congress, introducing a bill to create a Commission on Aid to Underdeveloped Areas.

You have presented a very comprehensive program for eliminating the barriers to the development of the natural resources of the underdeveloped areas of the world. I am sure that this interesting approach to the point 4 program would comprise an effective means for combatting the influence of communism by improving the economic and social conditions of the peoples of these areas. You are to be congratulated on your efforts and I wish you continued success in all your endeavors.

Very truly yours,

GEORGE L. RIDGEWAY,
Director of Economic Research.

McGraw-Hill Publishing Co., Inc.
New York, N. Y., May 31, 1951.

CONGRESSMAN GEORGE MEADER,
Congress of the United States,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN MEADER: Thank you for sending me a copy of your speech in the House on April 23, calling for the creation of a Commission on Aid to Underdeveloped Areas.

It seems to me exceedingly important that the point 4 program now getting under way should have focused upon it some intense thinking. Point 4 over the years could become as big and persuasive as the Marshall plan. It makes sense that we know what direction it is taking in its infancy, and we should certainly insist, as you point out, that these overseas programs be keyed to private initiative, not to paternalistic government, operating on a world-wide scale.

Cordially yours,

ELLIOTT V. BELL.

I now want to read a letter from Mr. Gunther H. Lessing, chairman of the Society of Independent Motion Picture Producers, vice president of the Motion Picture Industry Council, and vice president of the Walt Disney Productions, of Burbank, Calif. On June 20, 1951, he wrote me as follows:

WALT DISNEY PRODUCTIONS,
Burbank, Calif., June 20, 1951.

HON. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR SIR: I desire to thank you for your letter of June 6 last addressed to me with which was enclosed your speech before the House of Representatives delivered Monday, April 23, 1951. I read this address with a great deal of interest and favor your bill. A great deal may be accomplished in furtherance of development based on the concept of democratic fair dealing, free enterprise, and the dignity of the individual. Or, as expressed at a recent committee hearing at the meeting of the United States National Commission for UNESCO, "have people talk to people." I might add, "inspire people to know people better."

Perhaps it may not be inappropriate to ask you how UNESCO and the National Commission for UNESCO might not dovetail into the objectives of your bill.

Respectfully yours,

GUNTHER H. LESSING,
Chairman of the Society of Independent Motion Picture Producers; Vice
President, Motion Picture Industry Council; Vice President, Walt Disney
Productions.

NASH-KELVINATOR CORP.,
Detroit, June 8, 1951.

HON. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR GEORGE: I am a bit late in acknowledging yours of May 14 and the reason is that time for reading is exceedingly rare these days what with civilian production controls and defense programs.

I wanted to read your speech and bill so that I could comment intelligently. I am greatly impressed with your approach; in fact, I think it is the sound method of promoting the point 4 program, and furthermore, I agree with you as to the great potential of that program.

In the fall of 1947, when I returned from a meeting of the International Labor Organization, I made some statements about the international situation that

resulted in Senator Vandenberg requesting me to testify before the Senate Foreign Relations Committee on the Marshall program.

Attached is a copy of my statement at that time. I have marked the portions that bear particularly on your basic viewpoint that point 4 should be carried out primarily through the stimulation of private investment and the application of the ideas and methods that have produced unparalleled abundance in America.

Thanks for the invitation to drop in and discuss this when I am in Washington. I don't know when I will be there, but you may be sure that I will take advantage of your welcome invitation.

Sincerely yours,

GEORGE ROMNEY,
Vice President.

BURROUGHS ADDING MACHINE CO.,
Detroit, Mich., May 28, 1951.

HON. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I was very glad to have the copy of your speech on American foreign policy which Mr. Durbin gave me, and to note the positive approach you have taken to the problems of overseas development. Particularly, I welcome your efforts to focus attention on the part of private enterprise in implementing the objectives of our foreign economic policy.

As you no doubt are well aware, much has been done along these lines by Detroit industry; and our board of commerce has sought to make known, through its weekly organ, the important steps many firms have already taken in expanding their manufacturing facilities abroad and in exporting their know-how. Only last week, New York representatives of the United States Council of the International Chamber of Commerce and Detroit business leaders met here to discuss these questions.

To me, these are hopeful signs. They indicate a growing awareness of the urgency of the task. They are evidence that private enterprise is attacking the problem at its roots. Much remains to be done in educating the business world to the need for action. Our ability to do the job can be proved in only one way—by action. At the same time, we can properly expect Government to take prompt steps in providing tax incentives, in negotiating treaties to removal of discriminatory legislation, and in impressing tactfully upon governments abroad their obligation to contribute to the climate of confidence and stability upon which investment depends.

You were kind enough to ask for my views. These brief remarks are enough to indicate how close they are to your own.

Let me thank you again for your thought in sending the copy of your speech; and, further, let me congratulate you for what you are doing in promoting the significant objectives defined therein.

Sincerely yours,

JOHN S. COLEMAN, President.

NATIONAL ASSOCIATION OF MANUFACTURERS,
New York, N. Y., May 29, 1951.

The Honorable GEORGE MEADER,
United States House of Representatives, Washington, D. C.

DEAR MR. MEADER: I have read with the greatest interest your speech in the House of Representatives on April 23 in connection with aid to the underdeveloped areas of the world. I was particularly heartened by your expression of opinion that the job is primarily one for private initiative and enterprise.

The association, as you know, evinced an early interest in the point 4 program. Shortly after President Truman's announcement in his inaugural address, January 1949, a delegation from the association called upon him to pledge cooperation in its development. In March 1949, under our consultative status with the Economic and Social Council of the United Nations, we submitted to the Secretary-General a study entitled, "Capital Export Potentialities After 1952." In May 1949 the association addressed a study, *The Bold New Plan: A Program for Underdeveloped Areas*, to the United States Government, in which recommendations were made which, if carried out, we felt, would assure a successful program. I enclose a copy of an excerpt from this study for your information which outlines

the measures which the United States Government might take or sponsor in carrying out the program.

The association has consistently pointed out that primary responsibility for economic development in other areas rests upon private initiative. This fundamental assumption must be emphasized and reemphasized. Reliance on any other hope will lead to disappointment and disillusion.

Many thanks for having sent me a copy of your speech. I enclose a list of our international relations committee and advisory group who, I am certain, will be most interested in your remarks.

Sincerely yours,

EARL BUNTING,
Managing Director.

THE PROCTER & GAMBLE CO.,
Cincinnati, Ohio, June 28, 1951.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: This replies to your letter of June 13.

I am very much in sympathy with your view that if the point 4 program is to be carried out, greater emphasis should be placed on carrying out important phases of it through private enterprise channels rather than through Government channels.

I believe that the Commission which you have sponsored would help to do this, therefore, the Commission would seem to be a good thing.

In my judgment, not only should as much as possible of the point 4 program be carried out through private enterprise channels, but also attention should be given to getting more small-business men interested in projects which would contribute to the economic development in other countries.

Unfortunately, small-business men in America do not have the same facilities for finding business opportunities in other countries which large businesses have. If our Government could find the means of helping small-business men in the United States to find business opportunities in other countries, I believe that that in itself would make considerable contribution to the point 4 program.

Sincerely yours,

WALTER L. LINGLE, Jr.
Vice President.

TRUST TERRITORY OF THE PACIFIC ISLANDS,
OFFICE OF THE HIGH COMMISSIONER,
June 28, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

MY DEAR REPRESENTATIVE MEADER: Thank you for sending me a copy of your fine speech.

If a commission could be set up with the problem of thinking through the possibilities of point four some great mistakes would be avoided in developing a sentimental and statesmanlike idea into an actuality. Therefore, your commission idea has great merit.

There is some phase of point 4 in practically everything we have to do in the administration of the trustee islands, but there is hardly a place for us under the projected organization should it ever become law. Our people are so few, and so widely scattered, and so limited in economic possibilities, that any thought of a quick return is out of the question. I am going to keep your talk very close to me because it contains much which we may on a very, very small scale translate into action.

Thanks again for writing.

Most sincerely yours,

ELBERT D. THOMAS,
High Commissioner.

TUNNELL & TUNNELL,
Georgetown, Del., June 11, 1951.

HON. GEORGE MEADER,
House Office Building, Washington, D. C.

DEAR GEORGE: Your letter of June 11 has just been received. I have gone over, rather carefully, your bill and your speech. I think your ideas are good and hope that it might be possible for you to get this bill through in some form. I think possibly, if I had any suggestion to make, it would be with reference to a report of the Commission either to the President or to the President and to both Houses of Congress. It might be well to consider whether it would be desirable to have a provision that such a report should be made within a specified time.

I knew of your being a Member of Congress and have, at different times, thought of writing you. I don't believe I have done so. We are pretty busy here at this time and perhaps I may be forgiven for being a little lax in my social practices. However, I often think of you and wish you the greatest success in your congressional activities.

Thanking you for your thoughtfulness, I remain,
Very sincerely yours,

TUNNELL & TUNNELL,
JAMES M. TUNNELL.

ESSEX, CONN., June 18, 1951.

HON. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I was tremendously interested in your bill to create a Commission on Aid to Underdeveloped Areas. This proposed commission is one of the most imaginative and constructive proposals that has developed in many months, and I wish you the best of good luck with it.

I agree with you that our biggest need right now is to develop a more positive approach to world affairs. A vigorous rearmament program is absolutely essential. But certainly we cannot expect to solve the problems of the future with atom bombs, tanks, and B-36's.

A strong military defense will hopefully deter Soviet aggression and give us the time and elbowroom in which to tackle the basic problems on which the future of the world must depend. But right now as I see it we are in danger of confusing a military policy with a foreign policy itself.

I have made many speeches on this general subject in the last 60 days to many different kinds of audiences, and I have been deeply impressed with the interest. I believe that the people are willing to go much further in support of positive programs than they have been asked to go so far. And this goes for all groups regardless of their economic status or their attitudes or ideas on domestic policy.

I am enclosing an article which I wrote for the New York Times recently which covers this subject. Also a pamphlet, Atom Bombs Are Not Enough, which includes a speech which I gave recently in New York. As you will see my own ideas are very close to your own.

If there is ever the slightest thing I can do to help you push some of these concepts forward I hope that you will call on me.

With my best wishes,
Sincerely,

CHESTER BOWLES.

NEW YORK, N. Y., July 3, 1951.

The Honorable GEORGE MEADER,
Congress of the United States, House of Representatives,
Washington, D. C.

DEAR MR. CONGRESSMAN: Please accept my thanks for your June 14 letter enclosing your address before the House when introducing your bill to create a Commission on Aid to Underdeveloped Areas.

While I thoroughly agree with your repeated emphasis on the fact that the development of the natural resources of underdeveloped areas must largely be accomplished by private enterprise, I am somewhat fearful that a Commission such as you suggest would find it difficult to make an adequate investigation of this situation, which, in effect, would necessarily have to comprehend a survey of the entire world economy and the economics of each area. In this connec-

tion, I respectfully urge your perusal of my testimony given to the Foreign Affairs Committee of the House on October 6, 1949.

Incidentally, I doubt that any commission could get very far in convincing the rest of the world to go along the path of individual endeavor such as made this Nation great, when we are, ourselves, departing so rapidly and largely from this sound principle. In other words, the first step must be the setting of a good example by the United States.

With assurances of my high esteem, I am,

Faithfully yours,

SPRUILLE BRADEN.

MAVERICK, PUTNAM & PUTNAM,
San Antonio, Tex., June 26, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: As a Democrat and former Member of Congress I am glad to endorse your bill to create a Commission on Aid to Underdeveloped Areas. There isn't the slightest doubt that your belief of a positive foreign policy, "rather than the negative policy" in reference to communism, is the best. Of course, we should have strong preparedness and always be willing to go to war if absolutely essential. The point 4 program and all positive measures should be greatly expanded, and, as you say in your speech, "we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."

As Chairman of the Smaller War Plants Corporation I established the technical advisory service for all small businesses, or any business for that matter, and during World War II it was a huge success. I suggested it internationally also, and it met with enthusiastic international response from all nations.

As you intimate, the voluminous literature of the point 4 program has not spelled out very much, and, as you say, the American people must be for it and the ablest minds must work for it.

In writing you this I am not criticizing my own party, nor praising the Republican—I am only writing to compliment and congratulate you on your excellent move, and I assure you that if there is anything I can do I will do so.

With best wishes, I am

Sincerely yours,

MAURY MAVERICK.

(Written in longhand as a postscript:)

Your idea will save millions of lives, will benefit the whole world and help your own district, too.

M.

THE AMERICAN POLITICAL SCIENCE REVIEW,
OFFICE OF THE MANAGING EDITOR,
DUKE UNIVERSITY,
Durham, N. C., June 2, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR REPRESENTATIVE MEADER: I was pleased to receive a day or two ago, your letter of May 17 and the enclosed extracts of your speech from the CONGRESSIONAL RECORD. I have discussed the proposal which you made with certain of my colleagues and we were favorably impressed with the details of your plan.

If your bill should be passed, I would be most happy to make one or two suggestions regarding membership of technical personnel on it. I particularly feel that the American Political Science Association has some members who would be of great assistance to such a Commission.

Sincerely yours,

TAYLOR COLE.

YALE UNIVERSITY SCHOOL OF LAW,
New Haven, Conn., June 19, 1951.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I want to congratulate you on taking the initiative in introducing a bill to create a commission on aid to underdeveloped areas.

I think the time is more than ripe to bring all of our experience to bear on this problem.

By giving aid to underdeveloped areas, I am sure you are right in foreseeing that we can make an effective demonstration of our basic policy objectives, and show in a constructive way what we can offer the world.

Very truly yours,

HAROLD D. LASSWELL.

THE UNIVERSITY OF THE STATE OF NEW YORK,
THE STATE EDUCATION DEPARTMENT,
Albany, June 8, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN MEADER: I have had the pleasure of reading your speech in the CONGRESSIONAL RECORD on April 23, 1951. It seems to me that our Government has already been following an affirmative foreign policy through its point 4 program, which is designed to affect favorably the long-range interest of the United States through teaching other people how to help themselves. I grant that the program is to be carried out through Federal funds under the leadership chiefly of the Department of State. Be that as it may, teaching people how to use machinery, how to industrialize their own economies is in itself an excellent program. It will help to raise the standard of living, reduce the effectiveness of subversive groups in the countries concerned and increase the trade of those countries with ourselves.

You see I am entirely in accord with the point 4 program as I understand it. I am equally in accord with the proposals which make for a dynamic policy which makes it possible for private capital in this country to undertake long-range economic programs in those countries where raising the standard of living will have substantially the same effect as the point 4 program is designed to secure. The advantage of such a program is that it will obviously increase the opportunities for investment and trade abroad, secure the interest in foreign countries in the development of their own economies, I trust, on a private enterprise basis. At any rate, it should have the effect of preventing the development of cartel controls and of Government bargaining, both of which are so restrictive of international trade.

I am frankly in favor of your proposal and trust that a commission on aid to underdeveloped areas may be established and that the findings will be such that they can be put into effect.

Sincerely yours,

ALBERT B. COREY.

UNIVERSITY OF MICHIGAN,
DEPARTMENT OF POLITICAL SCIENCE,
Ann Arbor.

The Honorable GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR GEORGE: I have found the time to look over your address on foreign policy somewhat more carefully and I congratulate you on a very careful presentation, logically and clearly done. I believe you have convinced me that we need a commission similar to the one you propose. While I was reading your speech, I was called from Washington and asked to testify before the Senate Committee on Expenditures which is having hearings on the Hoover Commission proposal to study this question. I think therefore there is considerable interest in the matter and maybe we can get somewhere with a good proposal. I don't have the time now to go over all of the details of your bill in this letter, but on the principal point I am, I believe, now convinced that we need a study independent of the agencies now handling overseas affairs although their participation and testimony would, of course, be essential. I am a little worried that we could not get a commission of high caliber and between ourselves, I was never very enthusi-

astic about the congressional contingent on the Hoover Commission. With the exception of CLARENCE BROWN, who worked hard and conscientiously, the others were pretty much a total loss. The work on any such commission, if it is to be done, will be done by public members and any prestige which attaches to their recommendations necessarily arises from the quality of the membership.

Cordially yours,

JAMES K. POLLOCK.

YALE UNIVERSITY LAW SCHOOL,
New Haven, Conn., June 13, 1951.

HON. GEORGE MEADER,
Congress of the United States,
House of Representatives,
Washington, D. C.

DEAR CONGRESSMAN MEADER: I have your letter of June 9 and your enclosed speech on the Commission To Aid Underdeveloped Areas. I think that your proposal is a grand one and wish you success on it. I agree that we should be much more aggressively formulating a positive policy along the lines you indicate. When you formulate another version of the proposed agenda it might win friends to include a number of points on how to ease the impact of such a program on the recipient countries.

With thanks and good wishes,
Sincerely yours,

MYRES S. McDOUGAL.

THE COURIER-JOURNAL,
THE LOUISVILLE TIMES,
Louisville, Ky., May 15, 1951.

HON. GEORGE MEADER,
House of Representatives, Congress of the United States,
Washington, D. C.

DEAR CONGRESSMAN MEADER: Thanks for your letter of May 10. I have read with interest the speech which you delivered before the House of Representatives on an affirmative American foreign policy. I thoroughly agree with you that this country would be wise to develop and encourage the concept of the point 4 program. I have long had the feeling that our foreign policy is too negative and based too much on trying to nullify the effects of various Soviet actions. The sort of program you suggest would put us out front with an aggressive idea for improving world conditions. I hope that your proposal will arouse support from other Members of Congress, and I will watch with interest the developments that may occur.

Yours sincerely,

BARRY BINGHAM.

JOSEPH AND STEWART ALSOP,
Washington, D. C., May 14, 1951.

Representative GEORGE MEADER,
Congress of the United States, Washington, D. C.

DEAR MR. MEADER: Thank you for sending me the statement you made on the floor of the House about underdeveloped areas. I found it extremely interesting, and I heartily agree with many of the points you made.

Yours sincerely,

STEWART ALSOP.

NEW YORK, N. Y., June 1, 1951.

The Honorable GEORGE MEADER,
Congress of the United States, House of Representatives,
Washington, D. C.

DEAR MR. MEADER: I have now had an opportunity to study your speech of Monday, April 23, and hasten to say to you that in my opinion it is an example of the type of statesmanship which so seldom is reported in the press and, unfortunately, even less frequently on the radio. You have made a brilliant analysis

of one of the major problems confronting us and you have proposed an eminently practical solution. Thank you for giving me an opportunity of reading it.

Sincerely yours,

ED MURROW.

[Citizen Patriot of Jackson, Mich.]

REPRESENTATIVE MEADER'S PLAN

The proposal of Representative George Meader, of the Second (Jackson) District, that private industries be given a major role in the development of backward countries throughout the world merits serious consideration.

Representative Meader would create a bipartisan commission (modeled on the Hoover plan group) to study the whole problem of aid to underdeveloped nations. His plan differs from the so-called point 4 program of President Truman in that the President urges a Government-financed, Government-run set-up. Meader would have his commission draw up a master plan, then give to American business the job of building factories or developing mineral and farm land where needed.

Native workmen would be trained, native capital would undoubtedly participate and new leadership would be generated that would spearhead self-operated programs in the individual countries.

There are three primary advantages in Mr. Meader's plan over President Truman's point 4 program in its present form. First, it would eliminate the semi-socialistic aspects of point 4. Second, it would build up and reinforce the concept of free enterprise in nations that we must depend on in our ideological struggles against communism. And third, it would be financed largely with private capital instead of tax dollars.

A fourth advantage—one that might ultimately be the key one—is that Meader would replace the too-often-fussy planning of bureaucrats with the hard-headed common sense of practical businessmen, men who would have to make the projects succeed or lose their jobs.

The greatest handicap that Meader's plan would face, as we see it—aside from the fact that it is offered by a minority party member—is the twofold job of erasing the widespread antipathy in other lands against foreign capital and "exploitation" and eliminating the fear among American businessmen that they would build up a successful enterprise only to have it seized by the government on some pretext or other.

He offers programs to solve these problems; whether they would succeed remains speculative, although there is every reason to hope so.

Although chances of Representative Meader's plan being adopted by the Democratic majority at this time are slight, that does not mean it should be pigeonholed and forgotten. Development of all countries in the world to a point where the people are prosperous, happy, and self-sufficient is one of man's most challenging dreams. Many feel it is the greatest hope for eventual world peace—certainly, if the have-nots are eliminated one major cause for war will have gone by the boards.

The principal opposition to any such suggestion usually comes from those who say the people Representative Meader and President Truman seek to aid are largely incapable of helping themselves. They assert that any money we spent would just be poured down a rat hole.

It's all too easy for us to forget that there was a time when the United States was nothing but undeveloped land. Foreign capital financed the *Mayflower*, the Virginia Colony, Pennsylvania, Maryland, and all the rest.

Our Nation didn't grow and evolve in a day; in the process it had a full share of help. It's well to note, too, that practically all of this foreign capital came from private investors.

The Meader program is well worth keeping alive and supporting to the fullest extent. Its objectives may be far distant, but they form a goal that is worth working and waiting for.

[Detroit Free Press of Tuesday, July 17, 1961]

A BILL TO GET FACTS ON POINT 4

Rising water, bringing fire in its wake, has visited dire disaster on Kansas City. It could have been prevented. With adequate flood control the whole tragic, desolating horror would have been avoided.

Flood control costs billions. So does elimination of erosion and dust bowls, reforestation, slum clearance, adequate hospitals and institutions for the insane, and all the other vast works which must be done before America will be secure against vicissitudes.

Until it is so, any talk of the United States setting out to remake the world—as President Truman does when he speaks of his point 4—is fatuous, puerile nonsense. Before we undertake to provide each Hottentot with a daily quart of pasteurized milk, our own house must be set in order.

That is why his Capitol Hill colleagues should give earnest consideration to a bill introduced by Representative George Meader, a new Member of Michigan's Republican delegation in Congress.

WOULD SHOW ADVANTAGE OF AMERICAN WAY

Meader concurs with the President that large portions of the earth's surface need what Mr. Truman referred to in his inaugural address as "the benefits of our scientific advances and the industrial progress available for the improvement and growth of undeveloped areas."

He agrees also that the President was right when he said that "their poverty is a handicap and a threat both to them and to more prosperous areas."

Where Meader stops is at the administration demand that billions of dollars in American tax money be used as the magic wand with which it aspires to transform blighted regions into Edens.

Before the necessity for doing that is accepted the Michigan Congressman would find out exactly why the workings of private enterprise rather than exported socialism can't be made to do the job. Very pertinently he said:

"Just as the United States miraculously outstripped state-controlled economies in war production in World War II by calling upon the immense store of energy and initiative residing in a free people, we can demonstrate the superiority of the free enterprise system over state ownership and management in developing the world's natural resources for the benefit of its people."

NOBODY HAS BOTHERED TO DISCOVER THE TRUTH

Admittedly there are hindrances to that. A major one is the political uncertainties which makes private capital hesitant to undertake ventures abroad.

That is exactly where Meader's bill comes in. It would create a nonpartisan, nonpolitical body modeled on the Hoover Commission to explore existing barriers to the exercise of American initiative in lands where Mr. Truman would activate his hit-the-taxpayers point 4.

It is the obvious beginning point. Until the bars to private initiation of our "scientific advances and industrial progress" in undeveloped areas are precisely known they cannot be removed.

And until we know to what extent they can be done away with neither Mr. Truman nor anyone else can vouch for the validity of his point 4 concept or any part of it. Yet until Meader introduced his measure no one, Mr. Truman least of all, ever bothered to find out whether there was even partial justification for the point 4 idea.

That is why we say Meader's colleagues ought to give his bill their serious attention.

[Democrat and Chronicle, Rochester, N. Y., for July 8, 1951]

POINT 4 DANGERS

Enthusiasts for the point 4 principle of lavishing American technical and financial assistance in backward countries to help raise their standards of living, have been cooled off a bit by recent evidence of ill will toward America in parts of the world where they had expected to launch their experiments. While this ill will is largely manufactured by propaganda of Communist origin, it is nonetheless a barrier to large-scale aid programs, at least for the present.

Representative George Meader, of Michigan, aims to get around this barrier by introducing a bill to set up a commission to survey the point 4 program with a special view to carrying it on through the private enterprise system, and less through the Federal Government. His idea, apparently, is that point 4 would be an irresistible temptation to the Government planners and spenders, unless checked by level-headed businessmen.

The question that occurs to us is whether private enterprise will warm up to the project after seeing what has happened to foreign investments in China, Iran, and other places where our capital has ventured. It does not take much to change legitimate investments into the charge of exploitation. American money invested in large-scale foreign projects becomes imperialism when it begins to return a profit. Wise and sympathetic management may evade this danger, as our oil interests have done thus far in the Arabian region, but it seems doubtful that any large-scale foreign program can safely be projected on this basis.

First-hand observers have advised that we extend our help only after requests from foreign governments for definitely specified projects. If, even with the best intentions, we try to force our help, whether of techniques or of money, we are likely to run into difficulties.

(Saginaw (Mich.) News of April 25, 1961)

HANDLING OF POINT 4 CAN BE DONE SENSIBLY

Representative George Meader, Michigan Republican from Ann Arbor, has proposed a bipartisan commission to study and investigate the problem of aiding underdeveloped areas under President Truman's point 4 program and to formulate plans and recommendations from time to time. It would be a continuing commission, composed of 10 members named by the President, six from private life and four from the executive branch of the Government, two Senators named by the Vice President, and two Representatives named by the Speaker of the House. In each category, not more than half could be from the same political party.

Representative Meader would apply point 4 money in the traditional American way—to help the peoples of the underdeveloped areas to help themselves, rather than to try to do it for them. He makes a strong argument for such treatment of point 4 funds:

"Let us reaffirm our faith in the economic and political philosophy upon which this Republic was founded. Let us believe that the liberation of the forces of the human soul which conquered our own wilderness and harnessed the forces of nature for the benefit of ourselves and our posterity can likewise be employed for the benefit of peoples who only now are emerging from the shackles of feudalism and slavery. Let us act in that faith. With humility and anxious to absorb the many advantages of the culture of the peoples whose material lot is less pleasant than ours, let us offer to contribute the pioneering, courageous, enterprising spirit which is our inheritance. But let it be the voluntary and spontaneous contribution of the American people in a self-sustaining, mutually beneficial economic movement. Let us not admit decadence and impotence in the free-enterprise system through engaging in state-owned, tax-supported, proprietary activities reminiscent of the totalitarian socialism we abhor."

Representative Meader's plan calls for the creation of conditions in the underdeveloped areas that will attract private investment, not merely the hand-out of American public money, at the expense of American taxpayers. It is opposed to the practice of making loans to foreign governments, which tend to put those governments into private business, in competition with private businessmen, and to drive away private investments.

Willis H. Hall, secretary of the Detroit Board of Commerce, pointed up the danger in loans to foreign governments when, on his return from a trip to South America, he urged the United States to sell more machinery to South American countries. He quoted President Peron of Argentina as saying that the United States is giving too much money to foreign governments. Peron was quoted as saying: "When this is done, the money is used mainly for political purposes." Dictator Juan Peron certainly should know what he is talking about when he talks of this matter.

Administration reaction to Representative Meader's proposal will be interesting to watch. If the administration is sincerely anxious to help underdeveloped areas, it is difficult to figure a better way.

But if the administration is more anxious just to spend American money, keeping control of that money for use where it feels it will do the most political good, and promoting socialistic development in those areas, rather than the American enterprise system, it will hardly show any interest in a bipartisan commission.

If that is the administrator's idea of point four, it will prefer to turn its administration over to Dean Acheson, as President Truman recently announced his intention of doing.

(Nashville Banner, July 7, 1951)

FREE ENTERPRISE FOR POINT 4

A new and affirmative approach toward a more practical point 4 program for aid to underdeveloped countries has been suggested by Representative GEORGE MEADER of Michigan. The proposal, which he already has introduced in the form of a bill, would attempt to shift the free democratic peoples onto the offensive in their ideological combat with totalitarianism by carrying out all aid in the American spirit of free enterprise.

Such an approach, if adopted, would be a vast improvement over the present Truman plan which amounts to little more than a technical-assistance program and which threatens to become a rat-hole into which increasing billions will be poured with little or no results. Several countries even have rejected assistance offered them on the present terms either because they didn't like its charitable nature or because they suspected our State Department of wanting to introduce social reforms inimical to their interests.

MEADER points out that the current aid programs which are financed by the American taxpayer and managed by Federal bureaus can accomplish only a very small fraction of what can be done through employing the uniquely successful American principles and techniques of the free-enterprise system. He thinks the Government's role should be one of seeking to create the climate in which private enterprise can do the job of developing natural resources; that it should form a plan to provide against expropriation of property of nonnationals without fair compensation; that it should prevent overreaching, exploitation, and monopolistic trade practices to insure free and open competition, but that it should not engage in proprietary undertakings nor make extensive grants of public funds.

Congress should reaffirm its faith in the economic and political philosophy upon which this Nation was founded and give the bill its early attention. Only stupidity and folly are behind the present policy of admitting decadence of the free-enterprise system through engaging in state-owned, tax-supported activities which resemble so closely totalitarian socialism. The positive point 4 program advocated by Congressman MEADER will represent a voluntary and spontaneous contribution of the American people to a self-sustaining and mutually beneficial economic movement.

(Saginaw (Mich.) News of June 21, 1951)

POINT 4 APPLICATION

For a freshman member of the minority party, Representative GEORGE MEADER, of the Second Michigan District, is attracting more than a little attention in Washington and laying the foundation for some constructive legislation in the future, if the ranks of the Fair Deal spenders are further reduced.

His latest contribution is a bill to create a study commission to survey the point 4 program for helping underdeveloped and underprivileged areas of the world, with the view of doing it more through the private enterprise system, less through Federal Government hand-outs all over the globe.

With the present complexion of Congress, it is not likely Representative MEADER will get very far immediately with this bill.

But with growing dissatisfaction over the administration's attempts to hide point 4 money in both military and economic aid for foreign nations, there is a chance some of the principles of the bill may be felt before final action is taken on the \$8,500,000,000 which President Truman has asked for his omnibus foreign aid purposes.

Development of underdeveloped areas of the world has never been opposed by private enterprise in this country. In many instances, it isn't too popular with the people of the underdeveloped areas themselves, who like their own old-fashioned methods of doing things and are skeptical of new ideas brought from abroad.

In those countries which really desire improvement in their agriculture, their industry, their health, and their utilization of natural resources and which provide the proper political climate in which foreign investments can flourish, the job can be done better by private enterprise methods than by Government agencies whose principal interest is perpetuating their own jobs and spending Uncle Sam's money.

FRIENDS MEETING OF WASHINGTON,
Washington, D. C., June 6, 1951.

The Honorable GEORGE MEADER,
House Office Building, Washington, D. C.

DEAR MR. MEADER: Thank you for your letter of May 29, enclosing a reprint of the statement which you made on the floor of the House when you introduced a bill to create a Commission on Aid to Underdeveloped Areas.

I wish to commend you on the bill which you have introduced and on the statement which you made supporting the bill. It seems to me that your plan offers an opportunity for real statesmanship in bipartisan foreign policy at a highly constructive level.

The idea of bipartisanship in the Commission which you propose is a good one, and I should like to see that similar idea extended to insure that aid would be given to underdeveloped areas of the world, without regard to political considerations. I am aware that it may be more difficult to secure approval for such a program, if the aid offered by our Government is free of political attachments, but it will fall in its humanitarian and constructive purpose unless it can be offered freely to all areas where there is need.

Sincerely yours,

HERBERT M. HADLEY,
Meeting Secretary.

COUNTY OF LOS ANGELES,
BOARD OF SUPERVISORS,
Los Angeles, June 10, 1951.

Congressman GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN MEADER: While I have not had time to study and analyze in detail your April 23 speech and the accompanying bill, it seems to me your principle is thoroughly sound. I hope you will press persistently for enactment.

I returned from a study tour of Jordan and Israel last month and I am convinced that, in Jordan, for example, where technical guidance is needed, great strides could be made in large-scale irrigation with the help your Commission could provide. And such development would have a far-reaching effect to stabilize the potentially explosive Near East and Middle East. Many other examples in other parts of the world could be cited.

Very cordially,

JOHN ANTON FORD.

NEW YORK, N. Y., June 12, 1951.

Representative GEORGE MEADER,
Congress of the United States,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN MEADER: I was very happy to receive your letter telling about your introduction of a bill in the House of Representatives to create a commission to aid underdeveloped areas. May I congratulate you upon this approach to a positive foreign policy for the United States. I agree with you so heartily that this is a far more effective way of containing communism than all the coercive legislation that could possibly be passed.

It seems to me that we have so much to give in technical ability and creative imagination in this country that it is important we make the world realize what America can do and what it really is and means to her citizens.

I wish you good luck with your suggestion.

Sincerely yours,

Mrs. HENRY G. (AGNES) LEACH.

LITTLE, LESOURD, PALMER & SCOTT,
Seattle, Wash., May 29, 1951.

Hon. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I acknowledge receipt of your letter of May 21, enclosing reprint of the statement you made on the floor of the House in connection with your bill to create a commission on aid to underdeveloped areas. I have read your

remarks and the bill with genuine interest. I think definitely that it is a step in the right direction. To what extent, if any, it overlaps or differs in basic policy from the recent report of the committee headed by Nelson Rockefeller I have not been able to determine from a cursory reading of both your statement and the latter committee's report.

There is no doubt in my mind that something along this line is badly needed, and I certainly am happy to give it my support in principle.

I have recently returned from a round-the-world trip and over a period of the last 20 years, have traveled extensively in foreign countries. I agree 100 percent that we need a foreign policy which is essentially positive, rather than negative. Mere containment is not enough.

Please let me know if there is anything I can do to help. I have many friends in both the Senate and the House, and will be glad to do whatever I can.

Sincerely yours,

HERBERT S. LITTLE.

PHILADELPHIA, May 24, 1951.

HON. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR MR. MEADER: I wish to acknowledge your letter of May 21 together with the copy of your speech on an affirmative American foreign policy as appeared in the CONGRESSIONAL RECORD. Your suggestion of creating a bipartisan Commission on Aid to Underdeveloped Areas under the point 4 program is splendid. You have prepared a fine argument on its behalf and I certainly wish you success in your efforts.

On Monday I am flying to Europe by TWA for a month, otherwise it would be a pleasure to call on you and discuss your ideas. After my return I may possibly have an opportunity to do this.

With very best wishes, I remain,

Sincerely yours,

MICHAEL FRANCIS DOYLE.

LOS ANGELES, CALIF., July 5, 1951.

HON. GEORGE MEADER,
House of Representatives, Washington, D. C.

DEAR SIR: I have reviewed your bill to create a Commission on Aid to Underdeveloped Areas and the underlying principle of your bill is much better than the underlying principles of the present law providing aid to underdeveloped areas.

My observation in foreign countries where ECA has been in existence is that the funds have been used in the main to develop Government-owned industries and other semisocialistic institutions such as cooperatives, etc., and nothing has been done to foster private competitive enterprise in these countries. The net result of the operations to date has been to strengthen cartels and other such institutions which are inimical to the private competitive enterprise system and it has done much to hold back the economic development of Europe.

A program designed to aid the private competitive enterprise system in foreign countries and by the same token aid underdeveloped areas would go a long way toward accomplishing what these funds should accomplish. Your bill is in the right direction.

Very truly yours,

E. S. HARTWICK.

NEW YORK, July 12, 1951.

HON. GEORGE MEADER,
*Congress of the United States, House of Representatives,
Washington, D. C.*

DEAR CONGRESSMAN MEADER: I have read your April 23 statement which you were kind enough to send me with a request for comment.

My personal reaction is that you are on solid ground. There has been a considerable succession of official reports laying out plans and programs for development of so-called underdeveloped areas abroad. All of these, I believe, have mentioned "obstacles and hazards presently inhibiting the development of the natural resources of underdeveloped areas through the efforts of private citizens

and companies and the investment of private capital." Then they go on to use the existence of these obstacles and hazards as a proof that government grants and loans are necessary, and come out with the conclusion that some large sum must be put up by the American taxpayer each year to bring about development. There is a cart before the horse aspect to it, and the unfortunate result is that attention is distracted from the fundamental task of relieving obstacles and hazards, and focused upon getting some more money out of the Congress. I like what you have to say about penetrating below the surface of emotional generalities and getting down to the bedrock of hard facts. If your commission could do this, in a fair and objective manner, it could make a real and lasting contribution to world economic development.

Sincerely yours,

MORRIS O. JOHNSON.

DRESSER INDUSTRIES, INC.,
Dallas, Tex., June 6, 1951.

HON. GEORGE MEADER,
*Congress of the United States, House of Representatives,
Washington, D. C.*

DEAR MR. MEADER: Thank you for your thoughtfulness in sending me a copy of your speech and of the bill which you have introduced for the establishment of a Commission on Aid to Underdeveloped Foreign Areas.

Since the companies in the Dresser Industries group have widespread interests abroad, and because I agree in principle with both your remarks and the content of the bill, I have read both with considerable interest and care. The program you outline is, indeed, a conservative one and, if properly implemented, could be a significant factor in a return to normalcy. By way of comment, it has occurred to me that to the agenda of the Commission might be added the task of considering and recommending ways and means of continuing and expanding the interchange between countries of scientific, production, and management personnel of private industry. This could in part be financed by contributions from the participating countries and in part by private industry.

Also, it seems to me to be desirable, at the very outset, to invite and vigorously seek the participation and cooperation of governments other than our own. In other words, I believe that the Commission you propose might well be not only bipartisan but multinational.

Again, thank you for your kindness in sending me this literature and I will follow the progress of the bill with great interest.

Yours very truly,

H. N. MALLON, *President.*

MR. CHIPERFIELD. I wish to thank you for a very fine statement. I also read your speech in the Congressional Record and found it very interesting. Certainly we ought to have private enterprise and private business get interested in programs of this kind, and I again thank you for coming here and giving us the benefit of your views.

MR. MERROW. I want to compliment you on what you have had to say about the possibility of developing these countries so that there could be a greater investment of private enterprise.

On page 4 of your statement you have two points, the first of which is:

Prohibit and prevent imperialistic exploitation and monopolistic, restrictive trade practices—

being one of the things that the commission ought to study and develop specific workable methods whereby the governments may do those things; and your second point is to—

encourage—possibly through incentives, the granting or withholding of assistance, or otherwise—fair and ethical dealing and equality of opportunity under free and open competition.

Do I take it from that second point that you would tie the assistance that we might give to these countries to the manner in which

they change conditions so that free enterprise would be encouraged to go into those countries?

Mr. MEADER. That was not what I had in mind, Mr. Merrow. What I had in mind was incentive legislation, which is a field of legislation not very extensively explored. I recall, years ago, attending a hearing at which Senator Vandenberg and Senator Herring were considering incentive legislation and was impressed that there were great possibilities in that field which have been overlooked.

What I had in mind was, for example, the possibility of an agreement between the United States and an underdeveloped area where certain standards might be set up assuring fair and ethical dealing and equality of opportunity which might favor those desiring to invest in those countries, providing they lived up to those standards.

For example, it might be determined as a matter of policy that combinations of foreign and local capital should be encouraged or that restrictive trade practices should be discouraged. To accomplish these purposes a favored position might be created for those investors who observed standards set up by intergovernmental agreement designed to accomplish those objectives. My idea was not that we would promise something to some foreign government in case they did certain things. What I was thinking about was the investment and the investors. I believe our objectives might be accomplished through incentive legislation, because I think that is a field that deserves investigation.

Mr. MERROW. It seems to me the extent of the incentive would depend upon the extent to which the country set up means to encourage private capital investment.

Mr. GORDON (presiding). Before we go downstairs to answer the roll call, there will be somebody right back, and we will have Mr. Frost, as our next witness.

Mr. MEADER. I would like to present him, if I might.

Mr. GORDON Yes, if you will, please.

Mr. MEADER. I would like to present Mr. Richard B. Frost, who is with the Detroit Board of Commerce.

I learned, after my bill (H. R. 3798) had been introduced, and after I had contacted the executive director of the Detroit Board of Commerce, that they had been engaging in quite an extensive program of encouraging the investment of United States firms, and particularly firms in Detroit, in underdeveloped areas and other areas of the world, and were very much interested in this program. They have obtained some very interesting results from the study which they made; Mr. Frost is fully familiar with that program.

Mr. GORDON. I am more than sure that the members will be pleased to hear his statement.

Mr. A. A. RIBICOFF (presiding). Mr. Frost, will you proceed.

STATEMENT OF RICHARD B. FROST ON BEHALF OF THE DETROIT BOARD OF COMMERCE

Mr. FROST. The Detroit Board of Commerce, hereinafter known as "we," representing the many vast and diversified industries and businesses operating within the Detroit area whose connections and investments are extended throughout the entire world, has been concerned for the past several years with the current postwar problems

as manifested in the instability of the world's currencies, dollar shortages, periodically recurring international economic crises, the Communist threat to the world peace and security and the efforts and attempts by this Nation in finding a solution or solutions that will end or alleviate the present world problems.

The Detroit area is the center of mass production and the world's largest producer of the industrial products destined for world markets. Members of this organization export over \$1,250,000,000 in products each year to the markets of the world. This represents over 10 percent of the entire United States yearly exports. Detroit is likewise a major consumer of raw materials and products produced throughout the world. Over 300 imported items are needed for the production of a single automobile.

While the economy of the United States and, to some extent, the world, is dependent upon the strength and continued high employment of the mass-production industries, the economic well-being of these industries, the city of Detroit and the State of Michigan is dependent upon a high level of international trade and a relatively free and competitive access to the world's markets. Over 800 Michigan firms are engaged in some form of world trade and hundreds of other Detroit and Michigan firms and industries, not actively engaged in exporting or importing, utilize raw materials from abroad or fabricate for firms exporting the finished product. It has been estimated that one out of every seven employees in the Detroit area is employed as a direct result of world trade. Retail and wholesale merchants depend upon the continued high purchasing power of these workers.

The administration has asked Congress for \$4 billion for foreign aid this year. If Congress accepts the administration's request, Michigan will be expected to pay \$407,150,000, or \$64.60 per person and \$160.30 per taxpayer.

We of Detroit and Michigan fully appreciate the tremendous stake we have in world trade and affairs and in the attempted solutions to the current post and prewar problems now plaguing the world's commerce, the world economy, and the peace and security of this Nation.

On January 20, 1949, President Harry S. Truman first enunciated an idea for a new foreign aid program designed to aid the development of the backward and underdeveloped nations of the world. "Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." As a result of the intense interest of the members of the Detroit Board of Commerce in world conditions and foreign aid programs, and as a result of the vast experience of the businessmen and industrialists of this organization in the field of international trade and investments, we respectfully request all interested in the so-called point 4 program to review the following comments and suggestions representing the views of the board of directors of the Detroit Board of Commerce.

1. We are completely in sympathy with the proposal of the President to assist in every practical way possible the development of the less developed areas of the world. Communism is not defeated by words but by deeds. We must improve the lot of the peoples of the world where standards of living are below normal. We recognize that the point 4 program derives its primary importance from the national

interests in the United States, as, therefore, an implement of national defense.

We further realize as the various regions of the world prosper and progress, they will in turn become an ever increasing market for American products in proportion as their resources are developed, purchasing power increased and standards of living improved. Thus a twofold benefit will accrue to both the less developed areas and to business and industry in the United States. A high level of international trade means peace and prosperity for all.

American industry has been developed to a high standard of production. We have plants capable of great production which must be operated to their normal capacity in order to employ American labor to the fullest extent and to make available their products to the various areas of the world in need of these goods for their own development and use. To have continued prosperity in the United States, it is necessary to seek sales in the export field. Many of the world's markets are near their peaks while others have not or have just begun to indicate their potentialities. In many cases they require power, water, and transportation, and so forth, before they will be desirable or of potential value to American labor and industry. If properly developed, the greatest markets of the world, hitherto virtually untouched, will rapidly become markets for American industry.

The average citizen of Cuba purchased American goods to the amount of \$98 per person per year, according to the Department of Commerce, 1947. It is estimated that 2 million people in the western area, where electricity, power, and roads are available, buy 90 percent of the imports from the United States, while the people in the undeveloped area are buying approximately 10 percent.

In 1947 exports to Cuba totaled \$491,000,000. The average purchase per person per year in the prosperous area is approximately \$220. There are some 2 million people in the prosperous area so they account for \$440,000,000 of the \$491,000,000. If the purchasing power of the 3 million people in the backward areas were raised to the same level as those in the developed area, exports from the United States to Cuba would increase \$631,000,000, or to a total export per year of \$1,170,000,000. It would seem apparent that in improving and developing the backward areas of Cuba the United States exports would increase \$698,000,000 per year.

If this can be done in Cuba for the 5 million population it would be apparent that the 20,000,000 peoples of the Caribbean area, if given proper help for their development, would increase the amount of exports from the United States to approximately \$2½ billion.

We also realize that the political stability of such areas will be definitely served as their resources and their economy are developed. It follows, therefore, that it is in the interests of the United States to implement the President's program.

2. We believe that the point 4 program should be thought of as an extension to the less developed areas of the world of American technical know-how and investment, such as has been going on for years. Billions of dollars of American capital are now at work around the world, in many instances in cooperation with local capital, and is achieving the very results which the President is seeking.

We agree with the President that a new emphasis should be given to this type of cooperation between American know-how and capital

along with the skill and capital of overseas countries, with particular direction toward those areas that have vast underdeveloped potentialities and where the need for economic development is particularly great, and where raising standards of living will result in a stronger bulwark against the inroads of destructive political and economic ideologies.

3. We recognize that there is a sphere for Government action as well as for private enterprise. Only if the two go hand in hand, each to its appointed task, will the hopes and ambitions held for the point 4 program ever be realized.

In matters of health, port facilities, government, sanitation, education, and in other fields beyond the scope and authority of private enterprise, the United States Government has a tremendous field for action.

In working out programs for the development of basic services, such as agriculture, sanitation, and vocational training, we support the methods developed by the Institute of Inter-American Affairs, that is, "servicios" jointly staffed and largely locally financed.

4. We believe that there is also a semigovernmental field for action in which such organizations as the International Bank for Reconstruction and Development and the Export-Import Bank have and can continue to perform an important role in the development of the various areas of the world in need of their services.

We believe that the Export-Import Bank could further serve to implement the point 4 program in two ways:

(a) By direct loans to developments in underdeveloped countries where it would be difficult or impossible to obtain the loans from private sources and where American engineering firms can prove to the satisfaction of the bank's officials that such loans are of a productive nature and are a good business risk.

(b) By the encouragement of private American capital in overseas investments by means of the guaranty principle. That is, by freeing American foreign investments from the risks other than the ordinary everyday risks involved in domestic investments. By this we mean, (a) freedom from the unusual risk of inconvertible currencies, (b) freedom from the unusual risk of loss of investment in whole or in part on account of political contingencies such as confiscation, seizure, destruction, or forced abandonment due to the act of any government which prevents the further transaction of business.

5. We further believe that a special committee consisting of American businessmen, industrialists, and engineers should be organized to assist the Export-Import Bank in its work of implementing the point 4 program. The Export-Import Bank should not approve any specific projects under this program until a report on that project had been filed by this committee.

6. We are definitely opposed to any scheme for vast global spending on a Government level. We do not believe that the objectives of this program can be achieved merely by pump-priming the world economy with additional billions of taxpayers' money. While this was necessary during the immediate postwar years for the providing of funds for emergency relief for the war-torn nations of the world, such expenditures now would accomplish little in the way of permanent development or progress and could have a most serious adverse effect

upon the economy of this country which is already heavily burdened by taxation.

7. We believe the term "backward and underdeveloped" is wrong, for it connotes lack of progress. In many of these regions, to the contrary, there is great progress. It is only that this progress has but recently begun and the potentialities are so great. A hundred years ago the United States in comparison to other nations was likewise an underdeveloped area. There are, in fact, some areas in the United States today that could yet be classified as underdeveloped.

We would like to point out that many areas will never develop, both for economic, political, and geographical reasons. To attempt to force development would be a costly mistake and would inevitably result in failure.

8. We believe that this new program must be operated on a business level and not on a governmental level. Businessmen and industrialists in these countries generally have a more intimate knowledge of what is needed with regards to business and industry to bring about lasting improvement than do the governments.

We especially stress the need for help other than money. By this we mean the voluntary aid which could be given by American management in the way of technical help and know-how. It will be impossible for the United States Government to act as other than a clearing-house for industrial projects. Such projects must be handled on an industry-to-industry basis, the details to be worked out by industry itself.

Since industrial skills and modern technology are largely the possession and property of private enterprise, it is submitted that the only way these talents can be put to work effectively is to bring the American entrepreneur into direct contact with his counterparts in foreign countries.

9. We believe that the obstacle of double taxation which faces private United States capital when it ventures out of the United States must be ended. Every dollar of private capital that goes abroad decreases by an equivalent amount the need for Government loans and grants. This flow of private capital should be encouraged rather than discouraged as is the case at the present time.

10. We believe that some tax inducements might well be given to firms and individuals investing their capital abroad. For example, an arrangement might be worked out and authorized by Congress whereby, through appropriate treaties, both the United States and any country which is host to any United States foreign investment would consent to accelerated amortization, for domestic income-tax purposes, of the actual investment required. We have in mind the 5-year write-off of war plants, privately constructed, which was provided for in tax laws during World War II.

In addition to a 100-percent write-off for tax purposes of any approved foreign investment, within a maximum 5 years, we would also recommend the instantaneous write-off of any remaining balance in the event that, due to the outbreak of hostilities, in the host country, or in case of riot, revolution, administrative decree, or otherwise, the transaction of business becomes impractical.

11. We believe that there must be changes in the United States customs and tariff laws. If United States firms are to invest abroad,

they must import a vast amount of extraneous business material that always flows between the home office and subsidiary or branch plants. At the present time, outmoded United States customs regulations and laws restrict this flow of vital business material. The law must be changed so that this material may be imported freely into the United States.

Customs laws and tariffs in the United States must be made more conducive to the importation of goods from abroad. If we are to encourage production in the world, we are assuming a moral obligation to likewise open our doors to the purchase of this increased production. If we refuse to do this, then the entire program will falter and the world will again find itself involved in another major depression.

12. We believe that prior to taking any tangible steps for the implementation of the point 4 program, Congress should pass the Meader bill, which provides for the establishment of a bipartisan commission to investigate and report on ways and means that unreasonable barriers to overseas private investments may be removed.

If these barriers are discovered and removed, much of the need for Government assistance may be dissipated. We would like to stress that business and industry in many of the areas in question would welcome private United States cooperation and investment. These same groups in many cases would object to any industrial or business program worked out on a government-to-government level.

13. We believe that during the present emergency we can make a significant contribution to the less-developed areas by not overlooking their needs. Many of these regions are in the midst of great development programs. Their continued progress depends upon obtaining from this country the machinery and other requisites to expansion. We must make certain that these goods are available to sustain their economies and development by the granting of export priorities.

CONCLUSION

In conclusion, we support the principles voiced by President Truman's suggestions for a program to assist in the development of various areas of the world seeking and capable of sustaining such development. We respectfully urge all Americans to see that this program is worked out on a business level and not on a Government level, with exception of those instances in which only Government can render the aid needed. Only by so doing can the aspirations and hopes held for this program all over the world be realized without placing an undue and dangerous additional burden of taxation upon the American economy and the American taxpayer.

I would like to take a moment now to briefly expand on some of the points set forth in our statement of policy on the point 4 program. A few examples taken from the hard crucible of practical experience may prove of value to the members of this committee.

Business and industry in the city of Detroit and the State of Michigan are genuinely interested in the basic objectives underlying the point 4 idea. Since the President's inaugural address the program has been hailed and acclaimed, condemned, and debated, and numerous proposals and plans have been originated for the implementation of point 4.

Unique among those interested in the President's speech were the businessmen and industrialists of Detroit and the State of Michigan. Inspired by the leadership of internationally minded businessmen and industrialists such as John Coleman, president, Burroughs Adding Machine Co., Charles O'Connor, president, Reichhold Chemicals Corp., and a host of others, they formulated their own local point 4 program, now known as the Detroit plan.

There are many facets of the Detroit plan, but perhaps of primary importance has been the overseas tours. Each year 45 of Detroit's most important business and industrial leaders leave their busy desks for a 3 weeks to 1 month tour of a different area of the world. The sole object of these tours is to investigate and determine methods in which business and industry in this area can cooperate with their counterparts abroad by mutually pooling their capital, technical know-how, and management for the benefit of both areas. In Europe our group established three new plants and others are still in the stage of negotiating.

We have just returned from South America where we expect 8 to 12 new partnership arrangements between Detroit and South American industries. Whenever possible, these new manufacturing plants are established on a partnership basis with the parent plant in Detroit holding a minority interest of no more than 49 percent.

I would like to submit at this time the story of the Reichhold Chemicals Corp.'s foreign operations. I would like to insert this document in the record.

Chairman RICHARDS. I do not think we could place this in the record. How much of it do you want inserted?

Mr. FROST. Just these two pages here. Perhaps I can obtain copies and send them to the committee members.

Chairman RICHARDS. I would rather you do that because so far we have not inserted in the record any copies of periodicals.

Mr. ROOSEVELT. I received a copy of that this afternoon, and I believe it was submitted to other members.

Mr. FROST. Herein you will find the details of the Detroit program as carried out by one company and some of the unnecessary Government obstacles encountered. Reichhold Chemicals Corp. knows the problems to be encountered in overseas investment as it has in the past few years established 11 plants outside the continental limits of the United States.

A few months ago we outlined this program to business, political, and industrial leaders of six South American nations, so-called backward areas. They welcomed this plan wholeheartedly. In fact, both in person and in editorials in their newspapers they stated that what they wanted was private United States capital and technical knowledge to work in cooperation with that of their own land. This is the essence of the Detroit plan. They told us frankly that they hoped we would keep our Government at home.

As an example of some of the unnecessary problems business faces when it ventures abroad, I would like to call your attention to point 11 in our statement of policy. This is the point pertaining to the importation into the United States of technical material. You cannot build a plant abroad and efficiently operate that plant without a continuous flow of extraneous business material between the two

offices. At the present time, however, all such material is subject to import duties and the delays of clearing such matter through customs. The import duty on blueprints is 10 percent ad valorem. Does this mean 10 percent of the cost of printing the blueprint or 10 percent of the fee paid the engineers or architects? No one, including Washington, seems to be sure. Even with a reasonable interpretation of this duty, the importer will experience delays of from 2 to 3 days and up in clearing his blueprints through customs. Take the case of Detroit firms with branches across the river in Canada. Advertising layouts and specifications brought from the Windsor office to the Detroit office for a final O. K. by the advertising manager must pass through customs and duty must be paid though their stay in this country may be but a few hours.

These are all nuisances but they are great enough to deter at least one top engineering firm in Detroit from establishing offices in Europe and they now threaten a major plan by a Detroit concern which plan is in accordance with the very ideals of point 4 and has been acclaimed by ECA officials.

Allow me to cite but one additional case. The Nash-Kelvinator Corp. some time ago decided to produce a technical motion picture on the servicing and assembling of Kelvinators. This picture was to be distributed throughout the Spanish-speaking area of Latin America. Here was an excellent example of the exportation of technical know-how as advocated by the President. Since the picture was for distribution in the Spanish-speaking areas, Nash-Kelvinator arranged for production of the film in Mexico City in Spanish. This was accomplished and the film was distributed to Nash-Kelvinator dealers throughout Latin America. Naturally, the Detroit office wanted a copy of the film for their home office files. An additional copy was ordered and shipped to Detroit with an invoice covering the cost of printing the duplicate. The film was cleared through customs and then the fun started. Customs officials spent the better part of 3 days quizzing the heads of this great company on the entire operation relating to the production of this film in Mexico. Think of the loss in valuable executive time. Finally, customs decided that the dutiable value was the entire cost of filming down in Mexico. The Nash-Kelvinator Corp. paid duty on this basis. This, however, was not enough. The corporation was then fined several thousand dollars for making a false entry. That, gentlemen, gives you some idea of the problems private industry in the United States faces if they dare to venture abroad.

There are numerous other examples of Government-imposed impediments to private enterprise in its overseas operations.

If the hopes and ambitions held for point 4 are to be realized, the task must be largely accomplished by private funds and private industry. This will save the hard-pressed United States taxpayer additional taxes and create more friends for this country throughout the world than if the point 4 program becomes largely a Government-financed and operated proposition.

Private enterprise, however, can only fulfill its appointed task if it is freed from the shackles of needless and foolish Government obstacles. For this reason, we urge the adoption of the bill presented by the Honorable George Meader, H. R. 3978. It is the difference between exporting socialism or exporting free enterprise.

There is no problem of modern times more important to the American people nor more confusing than that involved in the ECA program. We, in Detroit, realize this perhaps more than any other area for our current complicated international economic problems stem, to a large extent, from the great industrial revolution that originated in Michigan during the early part of this century. Europe's problem today is not, as many would have us believe, primarily a postwar problem. The fundamental causes of the current international economic disturbances go far deeper than any postwar period and, if we are to find the solutions, we must seek out the basic causes.

There are those that call it the problem of the dollar shortage. This is tantamount to calling a coated tongue a disease. The world dollar shortage, exchange controls, export and import licensing, blocked currencies, and all are but symptoms of the basic disturbances that had their origins back in the early 1900's.

When Henry Ford first initiated the idea of mass production and as this new principle of producing wealth was developed and exploited by the great engineers of the United States, so did they also set the stage for many of Europe's present-day problems.

The manufacturers of Europe, as well as in other areas of the world, did not choose to accept the new philosophy that emanated from these shores. When confronted with the competition in their old markets by the new producers of the west, they chose rather to protect these markets by means of monopolies, cartels, international governmental agreements, and now, finally, by means of socialism. In India and in other areas of the British Empire, the English have, for example, taken numerous steps to prohibit the development of a trucking industry in the hope of thereby protecting the investments in British-owned railroads. This has, and continues to be, the traditional policy of many nations in Europe and throughout the world.

The results of such policies were inevitable. Productivity in these countries declined in relationship to productivity in this country. The wants and desires of their people, however, kept pace with the rest of the world. The only way these wants could be satisfied in the face of losing their markets in the world was by utilizing their overseas investments. In short, by living beyond their means. These trends were apparent long prior to World War II. The situation we find ourselves in today would have come about in time whether we had or had not a war during the 1940's.

This, then, was the problem Marshall plan aid faced. There was, to be sure, another problem, the relief of war-torn economies. With regard to relief, no one can quarrel. An excellent job was done. However, with regard to the second objective of the Marshall plan, namely, the rehabilitation and the industrial recovery of Europe, the problems have not been solved, and we do not feel that this portion of the ECA program has been as well handled as might have been the case. Within the framework of this basic objective, the elimination of trade barriers in Europe and the creation of a great European market was visualized. William Foster mentioned this in his testimony given before this committee but a few days ago. He stated, "Real progress has been made in the long-term job of unification." He did not mention in his speech, however, that European trade barriers today are higher than they were when ECA set up shop. Is this achieving unification? He did not mention that Belgium has a

serious unemployment problem today because the products of Belgium industry do not have access to European markets.

We have expended over \$11 billion in Europe for the purpose of raising European production to the point where exchange controls can be ended and at least a relatively free trade established.

During the past year our imports from Europe, plus our foreign-aid program, have been greater than our exports so that Europe has been accumulating gold and United States currency. Is Europe utilizing this improved condition in her currencies to achieve the objectives of the Marshall plan, the lowering of trade barriers, and the elimination of exchange controls?

On the contrary, Europe is now discussing and the United Nations Economic Commission has recommended, that Europe raise the value of its currencies in order to take advantage of our present defense program. By so doing, it is reasoned, they would increase the price of the raw materials and products we purchase from them while decreasing the price of those products they need from us. No thought is given to utilizing this current advantage by removing exchange and import controls and to allow for freer convertibility of their currencies. It now appears that the benefits of American generosity would be used as a weapon against the donor.

ECA officials mention the great recovery strides Europe has made. They can make a good case for this as Europe, when viewed from some statistics, has made great strides. However, the picture is not as bright as one would be led to believe. First, all ECA statistics are based upon the prewar year of 1938. That is at least all the statistics I have been able to obtain from the ECA office. 1938 was a depression year and in comparing statistics with this year even mediocre progress would appear relatively good.

Second, Europe's progress cannot be judged by European statistics alone. Her problem is her maladjustment with the United States. Her rate of progress must be greater than the United States, or at least as great, or else the same trend that has brought about her present difficulties is yet there and our ECA funds are but forestalling the inevitable day of reckoning.

If you view European progress from this standpoint, you may not feel that the progress has been so great or even great enough to justify the vast expenditures already made by this country.

A year ago we appeared before this committee to testify on the ECA program. There have been no significant changes in the past year to justify a change in our viewpoint. At this time I would like to read that statement of policy.

At this time I would like to submit for the record the statement of the policy on ECA. Since we are short of time, I won't take the time of reading it.

Mr. CARNAHAN (presiding). It will be inserted as part of your remarks, if there is no objection, and I hear none.

(The statement referred to is as follows:)

STATEMENT ON THE ECONOMIC COOPERATION ADMINISTRATION ACT ON BEHALF OF THE DETROIT BOARD OF COMMERCE, JULY 20, 1951

Three years ago, the Detroit Board of Commerce, representing over 6,000 members in the Detroit area, presented through the chairman of its world affairs committee, Roy W. Gifford, a brief dealing with the proposed European aid plan. This statement, prepared before the formation of ECA, consisted of 14 major

points. Inasmuch as ECA has now been in operation for 3 years, we felt that a careful study was in order by way of evaluating the progress made to date. At the time we presented our previous brief, we went on record as favoring a relief program, but expressed our concern as to the type of organization to be set up to handle this great sum of money.

We stressed the following points:

1. Concern as to whether or not we were taking on a permanent international relief burden or could we really bring about improvement in productivity and a resultant higher standard of living.

2. Although early statements had stressed the dual objectives of relief and industrial rehabilitation, we were afraid that relief would be pushed at the expense of betterment in industrial methods.

Let us quote one section from paragraph 3 of our original brief: "Only by the improvement in standards of living can the lasting benefits be obtained. To obtain a higher living standard, European manufacturers, farmers, miners, etc., must learn how to produce more per man-day."

3. We expressed concern as to whether or not the relief organization would be dominated too much by the State Department and at the expense of permanent aid to industry.

4. We were also concerned as to the use of the funds derived from the sale of our merchandise abroad which are now called counterpart funds.

5. We felt that recovery alone would never be sufficient to accomplish the desired end, and we favored the use of American management and technical skill or know-how by European firms on an industry-to-industry basis.

6. We felt that American industries should be encouraged to invest their funds abroad rather than limited, as seemed the intent at that time.

7. We favored the greatest possible use of experienced American businessmen both at home and abroad in obtaining the desired ends and stressed the point that insofar as industrial help was concerned, the proposed organization should be largely a clearinghouse in order to pass upon carefully prepared reports and suggestions by American businessmen for aid to foreign industry. These reports and suggestions should be made only at the request of foreign industry groups.

8. We also stressed the need for aid to higher education by the use of counterpart funds.

COMMENTS AND SUGGESTIONS

We do again endorse the aims of ECA and the general relief program and feel that under Mr. Hoffman, Mr. Harriman, and Mr. Foster an excellent job has been done insofar as temporary aid is concerned. Permanent industrial aid, has, however, lagged seriously and unless changes of thinking and organization take place quickly, we doubt very much the ability of the European nations to carry on after 1952 without continuing aid from this country. If the proper share of ECA and counterpart funds are used for permanent industrial aid, it will do more to promote private enterprise in those countries than could be done in any other way.

With 3 years' results of ECA activities and after extended study, we present the following comments and suggestions:

1. We are more concerned today regarding the trends in relief versus permanent industrial improvements than we were 3 years ago. Actual figures of expenditures or allocations to date as well as the type of organization now in existence in ECA, would indicate that political considerations make relief in the form of grants or gifts the No. 1 objective. Increased wealth can be produced only by greater and more efficient productivity. Without the increase in wealth-producing productivity, we can never expect higher living standards which are so necessary in these European countries today. Furthermore, without this increased productivity we are building a permanent relief program which will extend far beyond 1952.

2. We firmly believe that due largely to internal influences in ECA, plus pressure from governments abroad, the extension of capital or permanent aid to industry has been pushed into the background.

3. Although the original objective of ECA was based on a 50-50 percent basis, our feeling is that the industrial aid has fallen far behind. The industrial section of the ECA was late in being organized and other than the so-called Cripps plan, has accomplished little. We feel that ECA is governed too much in its activities by foreign governments, who are most anxious to get into their direct control as much of the money as possible. Businessmen and industrialists in these countries generally have a more intimate knowledge of what is needed to bring about lasting improvement than do the governments. Furthermore, direct loans to sound

industries will ultimately be repaid, whereas it is doubtful if any of our loans to governments will ever be repaid.

4. We feel that the proper use of counterpart funds has been seriously neglected. There seems to be a lack of organization for this work in the Washington office and too little thought and understanding regarding the possible use of these funds in Europe. In addition, the methods for the allocation of these funds seem extremely cumbersome. Every dollar of counterpart funds, if again put to work should make it easier on the American taxpayer. Reports as to the use of counterpart funds should be issued regularly by the ECA.

The utilization of the counterpart funds in the 17 different ECA countries should be on a wider and more imaginative scale. These funds represent the money European businessmen have paid in local currencies for the purchase of goods which the ECA paid the supplier an equivalent in dollars. The United States should have had complete control over the use of these funds. In accordance with the ECA Act, there is now dual control with the foreign governments. These funds should be utilized for the reestablishment and the promotion of multilateral trade, primarily in Europe and secondarily in other portions of the world where such trade would be beneficial to the reconstruction of Europe; for financing projects and making loans to European industries wherever such projects and loans would enhance European recovery; for meeting the expenses of ECA operations outside the United States; for the acquisition of strategic raw materials necessary for the United States defense; for the acquisition of raw materials and technical and industrial equipment for the production of raw materials necessary to the reconstruction of Europe; and for the improvement and expansion of educational facilities or any other productive project.

5. We especially stress the need for help other than money. By this we mean the voluntary aid which could be given by American management in the way of technical help and know-how. It will always be impossible for ECA to do other than act as a clearinghouse for industrial projects—they should be largely handled on an industry-to-industry basis, the details to be worked out by industry itself.

6. The ECA Act clearly shows that Congress fully realized the importance of a European industrial revival on a more efficient basis, when they specifically stated in the act that over a billion dollars of the first year's appropriations was to be for direct loans to industry. The ECA Administration diverted these loans to loans to foreign governments, apparently because no industrial planning had been made.

7. An analysis of ECA operations indicate that there are far too few experienced businessmen in top positions in the Administration. We realize they are sometimes difficult to obtain but, without experienced men, the results can never be obtained. This applies to ECA, both at home and abroad.

8. We feel that education is one field in which the ECA counterpart funds could be used to advantage. England, for example, has fewer students in its colleges and universities than does our State of Michigan and the students are drawn from, in most cases, the classes that are not interested in industry. This broader need for education extends to engineering, the professions, and agriculture.

9. We believe in the plans behind the organization of the Anglo-American Productivity Council and their intention to bring about the exchange of visits between British and American manufacturers, engineers, workers, etc. We do not believe that this in itself will accomplish the desired end as it is altogether too slow. We feel we must go beyond the visitation stage and bring about single industry-to-industry cooperation whereby American firms will individually work with English firms supplying our know-how management, and sales ideas.

We favor the extension of this general plan to the other ECA nations.

CONCLUSION

In conclusion, we feel that ECA, as now organized, is dominated too much by political considerations and would be better if it could be divided into two separate agencies with separate appropriations. If this is not possible, then ECA should be divided internally and the money appropriated should be definitely earmarked for general aid (political) and industrial aid.

The expenditures already made and those suggested for the next fiscal year constitute an extremely heavy burden of taxes on top of an already dangerous budget. Unless permanent benefits can be obtained, we are in danger of seriously weakening our own economy.

Mr. CARNAHAN (presiding). Are there any further questions to be asked at this time?

Mr. BATTLE. You mentioned on page 6 of your statement that Belgium has a serious unemployment problem today. Could you spread that out?

Mr. FROST. I cannot give you the exact figures now. A year ago I was in Belgium where I had the pleasure of spending an afternoon with Dr. Albert De Smael, who was Minister of Economics from 1945 to 1947, and this famous economist of Belgium blamed the Marshall plan for Belgium unemployment. He placed the blame on the Marshall plan for this reason: we had violated the original idea of the Marshall plan, namely, working out the program on a European basis rather than on a nation-to-nation basis.

Belgium cannot sell to France her surplus production which France needs because of exchange and other barriers. In the meantime we supply such countries as France with dollars to make the purchases from the United States. We have not freed the trade barriers.

Mr. CARNAHAN (presiding). We appreciate your testimony, and for the chairman and the other members who have not had an opportunity to be present during the entire presentation of your statement I apologize for not giving everyone here tonight a better audience, but we had a rather difficult time in keeping up the vote on the floor.

Mr. FROST. Thank you very much.

Mr. CARNAHAN (presiding). Do you have anything further, Mr. Meader?

Mr. MEADER. No.

Mr. CARNAHAN (presiding). Well, if there is no further business at this time we will adjourn until 10 o'clock tomorrow morning. The meeting is adjourned.

At 8:42 p. m. the committee adjourned until Saturday, July 21, 1951, at 10 a. m.

(The following was submitted for inclusion in the record:)

STATEMENT SUBMITTED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES TO THE HOUSE FOREIGN AFFAIRS COMMITTEE IN SUPPORT OF THE PRINCIPLES OF THE MUTUAL SECURITY PROGRAM, JULY 20, 1951

The Chamber of Commerce of the United States supports the principles of the proposed Mutual Security Program.

The major source of international unrest, of fear, and of conflict is the aggressive program of militant Russian communism. Since the Kremlin seems to respect only force, Soviet leaders must be convinced that the United States, by word and action, will avoid both aggressions and the surrender of basic principles and vital interests.

They must be convinced, too, that the United States will develop not only its own means of defense, but, within the limits of its economic ability, will assist other nations to help themselves militarily as well as economically, provided that they are willing to work together to resist Soviet aggression and domination.

Therefore, the chamber endorses the program before you as means to that end. Military and economic assistance will strengthen the will and the capacity of our associates in the free world to work together in the interests of our collective security.

The views of the chamber might be summed up like this:

1. We must have a long-range, purposeful foreign policy free of uncertainty and political partisanship.
2. We must extend foreign military and economic aid, to the extent of our ability considering our own defense program, to offset world communism.
3. We believe that such aid should be limited to an expenditure of \$5 billion in this fiscal year.
4. Economic aid to Europe has accomplished its purpose.

5. Military aid under the North Atlantic Treaty now has become of immediate importance.
6. A principal condition to such aid should be a pledge that a recipient country will put its shoulder to the wheel.
7. Technical assistance to underdeveloped areas should be continued.
8. There should be a single, unified foreign economic assistance administration.

OUR BASIC PRINCIPLES

Members of the national chamber have long advocated the active participation of the United States in seeking international solutions to the many difficult problems that the free world has had to face since the defeat of the Axis Powers.

They approved a program of relief through UNRRA and subsequently through direct contributions to nations devastated by war. They supported economic and military assistance to Greece and Turkey; substantial credits to the United Kingdom; the Marshall plan; and they approved the action of the United States in entering into the Inter-American and the North Atlantic Pacts.

During the past few months, the chamber membership made a complete reexamination of the issues in the international economic, political, and social field. Strong reaffirmation of United States participation in world affairs resulted. (Policy statements are attached as appendix.)

The chamber took a position early this year calling for a \$7 billion cut in nondefense items in President Truman's January budget recommendations of \$71 billion. Specifically, the chamber said that foreign-aid expenditures estimated at approximately \$7 billion for 1952 should be reduced to \$5 billion—from the standpoint of the good health of the national economy.

The members in annual meeting on May 2, 1951, adopted a statement of policy calling for "an end to the frustration, uncertainty, and political partisanship indicated in our foreign policy insofar as the American people have been informed thereof." They urged development of a sound foreign policy without regard to partisan politics, which would protect and preserve the best interests of all people of the United States and of those other free peoples who will cooperate to preserve the fundamental principles upon which this Nation was founded.

THE NATURE OF ASSISTANCE

The proposed Mutual Security Program is an important part of foreign policy. It stems from legislation approved in the past by bipartisan votes. The major components of the proposed program are European economic assistance, aid to underdeveloped areas, and mutual-defense assistance—now to be fully oriented to the urgency of building up military defenses adequate to meet and repel aggressive Soviet communism whenever and however it strikes.

Military assistance and economic assistance are inseparably linked—the chief difference is whether we supply the final product or the material and equipment for producing it. At the moment, the United States must supply certain areas of the free world with military items, with technical training in their use, and with machine tools for defense production in recipient countries. Economic assistance by the United States, judiciously extended, must be continued at this crucial time.

MARSHALL PLAN

Emphasis for some time past has been on the economic recovery of Western Europe, which is fundamental to world recovery, and its achievement is essential to the survival of the forces of freedom. While the recovery of Marshall plan countries depended initially on a sustained flow of imports from the Western Hemisphere, the ultimate solution to their difficulties could only be found in a large increase in their agricultural and industrial production.

Without Marshall aid, countries with well-organized communist parties like Italy and France might easily have been swept into the Soviet camp.

The extent of recovery in Europe presents an inspiring contrast to the chaotic conditions after the war, when industrial and agricultural production was well below prewar levels, and the population was 15 million greater.

Some aspects of recovery are easily measurable: Industrial production is now 45 percent above the 1947 level and 40 percent above the prewar level. Agricultural production in all countries has shown a substantial increase in net output in spite of unfavorable weather conditions. Today agriculture is 9 percent above prewar levels and is steadily improving. Taking into account the rise in

population, however, output per head in 1950 was on the average still no more than it was in 1938.

By furnishing dollars for imports of particular commodities available only in the dollar area, Marshall aid made possible an increase of many times its own value in the gross national product of Western Europe, and led to a gradual reduction in her dollar deficit from \$8 billion in 1947 to \$1 billion in 1950.

Furthermore, reduction in trade barriers, brought about by progressive lifting of quantitative restrictions on imports among the Marshall plan countries, greatly facilitated intra-European trade. Marshall plan funds were used to assist the intra-European payments schemes which most recently have culminated in the European Payments Union.

Many of the objectives of the Marshall plan have been reached ahead of schedule and at less cost to the United States than had been thought would be necessary. This fact testifies to the efficient use made of Marshall aid and to the will and ability of Western European countries to cooperate in their common interests.

MILITARY AID

As European recovery has proceeded, and as world political conditions have changed, it has become clearly apparent that economic aid should be followed by military aid. This need has led to the North Atlantic Treaty, which pledges mutual defense of the member countries.

But here, as in the case of our economic-aid programs, we must feel reasonably assured that the treaty nations will put their shoulder to the wheel.

Secretary of Defense Marshall said recently that it seemed that not all of the NATO countries have done all they could.

General Eisenhower, who faces an enormously difficult task in Europe, said just the other day: "It is clearly necessary that we quickly develop maximum strength within free Europe itself. Our interests demand it * * *." In urging the European nations to unite in the common effort, he said, "It would be difficult indeed to overstate the benefits (of European unity) in these years of stress and tension, that would accrue to NATO if the free nations of Europe were truly a unit."

On the average, one-third of the budgets of the Marshall plan countries last year was spent on defense efforts and the ratio will be greater in the revised programs of 1951. This means, of course, that in all cases a smaller proportion of total output will be available for civilian purposes. Under the influence of increased taxes and higher prices, the standard of living, at best none too high, has already fallen. Any further reduction at this time might have a dangerous psychological as well as material effect, although reasonable austerity should be encouraged.

To meet these new problems, Europe should undertake some steps on its own volition.

To the maximum extent possible, there should be increased productivity, of course.

There should be strict governmental economies.

Balanced budgets should be the keynote.

Furthermore, selective shifts in investment from less productive activity would release resources without impeding fundamental economic growth.

Collective economic action should be vigorously sought in order to assure the most efficient use of western Europe's resources.

Care should be taken that European exports be reduced only as a last resort. It must be realized that in addition to rearmament production, the maintenance of European exports is vital. If this is not done, countries in other parts of the world, dependent on Europe for manufactured and capital goods, would turn to the United States as an alternative source of supply. This would intensify the inflationary pressures already at work in the United States economy. It would also reduce the earnings of the western European countries and thereby widen the balance of payments deficit and bring about the thing we hoped to correct.

Incentives for the pursuit of mutual security, reaching to the level of the individual, must be an integral part of the program. This includes most prominently the dissemination of factual information about the objectives and achievements of the program to peoples throughout the world.

UNDERDEVELOPED AREAS

The drain on resources by rearmament will have world-wide repercussions by affecting costs and by raising problems of priority in the allocation of resources. Different areas of the world present different problems.

Because of the strategic position and natural resources of the Near East and the Middle East in the world today, this area is one of the crucial directions of Soviet expansion. The strength and stability of all countries in this region is essential to American security.

The national chamber has long stressed the fact that private enterprise and private investment capital should form the cornerstone of any program undertaken by the United States for the economic advancement of underdeveloped areas.

The point 4 program, which contemplates technical assistance, has had strong humanitarian appeal everywhere because of its objective of bettering the lot of peoples of the underdeveloped countries. Because of its hope for economic improvement in these countries, it has been hailed by many as the positive answer to the false lures of communism.

Nevertheless, few elements in American foreign policy are less generally understood, and none is more valuable potentially. Certain broad aspects of it should be recognized and supported by every American.

A fact not fully realized is that 73 percent of the raw materials imported by the United States comes from underdeveloped countries, and that a 50 percent increase of these imports during the next 2 years will be necessitated by expansion of American industry to meet defense needs. Technologically backward peoples living under appalling conditions of poverty, disease and illiteracy cannot be expected to produce unaided these additional raw materials needed by the United States.

For example, technical and financial assistance to enable the peoples of south and southeastern Asia to become self-sustaining in food production is an alternative much to be preferred to successive grants of funds to relieve chronic starvation.

Programs of technical assistance in fields of public health, sanitation, education, fiscal affairs and government administration should be carried forward by our Government on a modest, carefully considered basis. They should be so conducted as to avoid any charge of either paternalism or imperialism, and should be restricted to countries where there is a genuine willingness to cooperate to the full extent of their own abilities.

The proposed Mutual Security Program contemplates grants of funds for capital as well as technical assistance. The chamber believes that local funds should be used as much as possible to carry out approved projects. When outside financial assistance is needed for essential capital goods, facilities of the International Bank and Export-Import Bank should be used. Private capital investment should be encouraged to bring needed dollars into the area. Aid should be contingent upon the completion with our Government of treaties and agreements to provide assurance of fair treatment for American private capital.

UNIFIED ADMINISTRATION

As early as November 1950, the chamber stressed the need for a single unified foreign economic assistance program—to be applicable on a flexible basis to any part of the free world as circumstances require, but under definite legislative prescription as to purpose, policies, and methods. We urge that foreign economic operations of the United States Government be surveyed with a view to their effective coordination to avoid duplication and waste.

The Mutual Security Program, as proposed, does not provide for unified administration of foreign economic activities. We believe that such a single, independent administering agency is vital to successfully carrying out the economic objectives of the Mutual Security Program; that the Department of State is primarily a policy-making department and should not be charged with operating functions of this type; and that United States foreign economic activities of varying types and degree will be such in the foreseeable future as to make the new agency imperative. Its operations should be within the over-all foreign policy of the United States, and its activities abroad should be closely coordinated with those of the Department of State.

The new agency should have both short and long-range responsibilities in the administration of United States foreign economic activities.

The Economic Cooperation Administration should complete its job on schedule in 1952. Activities of a continuing nature, carried on by that agency, such as technical and capital assistance to underdeveloped areas, should be transferred to the new agency as should the Technical Cooperation Administration, now under the Department of State, and all other point 4-type activities of our Government.

In addition, export and import controls, the responsibility for procurement of strategic materials from foreign countries, and United States participation in the international allocation of scarce materials and products should be brought into this agency. It should also act as the claimant for the essential requirements of friendly foreign countries.

CONCLUSION

In the foregoing, we have emphasized qualitative rather than quantitative evaluation of the proposed Mutual Security Program. The chamber has concluded that this program, with safeguards as noted, should be undertaken as an investment in mutual security and as insurance against the need for even greater defense expenditure by the United States if this course to mutual security were not pursued.

The proper ration of funds to be allotted to military and economic aid must be left to the wisdom of the Congress. However, the chamber urges that the importance of economic assistance to the objectives of mutual security not be underestimated. As stated earlier, however, the chamber believes that over-all expenditures for the program during 1952 should be no more than \$5 billion.

The chamber conceives as its duty to provide education and leadership which will stimulate intelligent consideration of the issues which are of such profound public interest and concern today. It is also the duty of the executive branch and the Congress to make known essential facts in order to have an informed public. This is a trust which cannot be ignored, and the benefits would be manifold.

At stake in the present situation is the survival of all for which democracy stands. The idea that we could, if we so desired, withdraw within our own border and remain safe and secure is attractive only because it represents the least immediate risk. Such a course is folly because, at best, it could only serve to postpone the inevitable day when the United States would also be consumed by the aggressive forces of Soviet power.

Our aim in whatever instruments of accomplishment we use should be balanced security for the free world, not rearmament as an end in itself.

(The following has been submitted by the Department of State for inclusion in the record:)

Population (Israeli and Arab) of Palestine

Calendar year	Total population	Jewish	Arab and other	Jewish immigrants into country
Palestine: ¹				
1919.....	693,000	57,000	636,000	.....
1919 to 1932, inclusive.....				122,033
1932.....	1,073,827	192,137	881,690	.....
1933 to 1939, inclusive.....				204,076
1939.....	1,031,098	443,457	1,036,211	.....
1940 to May 15, 1948.....				102,947
1948.....	1,996,230	608,230	² 1,388,000	.....
Israel:				
1948 (May 15-Dec. 31).....				101,828
1949.....				239,141
1950.....				169,405
1951 (Jan. 1-June 30).....				130,000
1951 (midyear).....	1,452,000	1,282,000	170,000	.....
Total, 1919 through June 30, 1951.....				1,069,435

¹ Includes what is now Israel and Arab West Jordan, and Gaza.

² 1947.

Source: Compiled from official British and Israeli sources.

(Material requested by Mrs. Bolton:)

1. Was there any agreement by Israel to indemnify the loss of property as a result of the establishment of the State of Israel? There has been no formal agreement for

compensation, since there have been no negotiations between the parties concerned. There is enclosed a statement of Israeli Ambassador Abba Eban before the ADHOC Political Committee of the United Nations on November 7, 1950. In this statement Ambassador Eban formally stated the willingness of the Israeli Government to pay compensation for "abandoned lands" and to study the question with the appropriate United Nations authorities. A copy of this statement with the relevant statements underlined is attached.

2. *Copies of reports or observations General Riley has made on the armistice situation.* Copies of all recent public statements on the armistice situation are enclosed. It should be emphasized that these do not necessarily report the latest developments in this situation.

3. *Amplification of the answer to question on the acceptance by Israel of the partition boundaries in the General Assembly resolution of 1947.* The United States Government has consistently maintained that it is not the function of the United Nations to enforce a political solution in former Palestine. In this regard there is quoted a statement by Ambassador Austin for the Security Council on February 24, 1948.

"The Security Council is authorized to take forceful measures with respect to Palestine to remove a threat to international peace. The Charter of the United Nations does not empower the Security Council to enforce a political settlement whether it is pursuant to a recommendation of the General Assembly or of the Council itself.

"What this means is this: The Council under the Charter can take action to prevent aggression against Palestine from outside. The Council by these same powers can take action to prevent a threat to international peace and security from inside Palestine. But this action must be directed solely to the maintenance of international peace. The Council's action, in other words, is directed to keeping the peace and not to enforcing partition."

ISRAEL OFFICE OF INFORMATION,
November 7, 1950.

STATEMENT OF AMBASSADOR ABBA EBAN (ISRAEL) BEFORE THE AD HOC POLITICAL COMMITTEE OF THE UNITED NATIONS

Mr. Chairman, I wish to devote myself primarily to the prospects of the future' as illumined in the draft resolution before the Committee and in the Report of the United Nations Relief and Works Agency.

However, the speech which has just been made by the representative of Iraq compels me to introduce these reflections with a brief reiteration of the views which the Government and people of Israel hold with the utmost conviction on this problem as a whole.

The plight of the Arab refugees is the most tragic and grievous consequence of the armed violence which was launched against Israel nearly 3 years ago by the combined armies of all the neighboring Arab States. Yesterday the representative of Burma spoke in moving terms of the harsh fortunes of war; and indeed in modern warfare the sharpest impact of suffering inevitably falls upon civilian populations. Those who seek to determine political issues by the use of armed force, rather than by the method of pacific settlement and negotiation, thus incur a most heinous responsibility for a cumulative sequence of misery which overtakes all the populations embroiled in their war. Thus it has come about that the law and morality of our own generation have come to regard those who initiate armed conflict as being exclusively responsible for all the anguish and suffering which war brings in its train. With the terrible toll of our own dead and wounded still fresh in our memory, with flourishing villages laid waste and parts of ancient cities lying in complete ruins, with the refugee victims of this wanton invasion still standing before us with their misery unallayed, we could have wished that the authors and sponsors of that terrible war had shown more evidence of contrition and direct responsibility whenever this problem was discussed. I am profoundly astonished that a man could sit in his seat in 1947 and openly declare war and then sit in the same seat in 1950 and wash his hands clean of all the hideous consequences of that war. My delegation, for its part, does not entertain even a partial degree of doubt as to how the question of moral initiative and responsibility will be decided in the judgments of history.

However, at this stage, the international community is rightly preoccupied far more with the means and prospects of a constructive settlement, than with the just censure of those who let loose the savage war, of which this is one of the

most catastrophic results. Accordingly, it is to the future with its hopes of solution that my observations will be principally addressed.

Although it would be natural to expect those states whose action created this problem to bear the primary responsibility for its solution, we cannot doubt that the refugees constitute a regional problem, for the solution of which all the states in the area should devote their serious and responsible efforts. In the wider sense this is a problem of international dimensions. It has a bearing on the issues of world peace and security; and the means and resources necessary for its solution are clearly beyond the resources and capacities of the region directly involved.

These two themes of regional and international responsibility are convincingly expounded in the basic documents now before the Committee: The Report of the United Nations Conciliation Commission for Palestine; the Report of the Secretary-General on United Nations Relief for Palestine Refugees; and the Interim Report of the Director of the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

I desire at this preliminary stage to express Israel's attitude on the main conclusions embodied in these three documents, insofar as they affect the refugee question.

The Report of the United Nations Conciliation Commission emphasizes the close relationship between the restoration of peace in the area of the Near East and a permanent settlement of the refugee problem. At no time has the General Assembly been unaware of the close interdependence between these two objectives. There is an erroneous impression in some quarters reflected in certain speeches this morning that the General Assembly adopted a resolution in 1948 calling for the unconditional return of the refugees to their homes and the payment of compensation to those not returning. It is vitally important to realize that the General Assembly has never adopted any resolution of that kind. What the General Assembly did in 1948 was to adopt a resolution calling upon the parties involved in that conflict to negotiate a final settlement of all their outstanding differences. Indeed, the call for a peace settlement was the decisive and operative part of that resolution and marked the only direct request which the General Assembly then made to any of the Governments concerned. Within the framework of that resolution calling for a final settlement as part of it, and on the assumption that it would be heeded, the General Assembly went on to lay down the principles whereby it wished the refugee problem to be solved. There has never been any international sanction for the extravagant view that a comprehensive solution of the refugee problem could be carried out in complete isolation from the wider context of inter-State relations in the area. While the neighboring States glower at Israel with hostile eyes over a tense armistice frontier; while Israel grapples with the heavy security and economic complications created by Arab boycotts and blockades; while the quest for military security dominates all else, as it must and will so long as peace is refused--the Governments of the area are not likely to find easy avenues of cooperation in tasks of constructive regional development.

The vision conjured up yesterday by the representative of Syria of hundreds of thousands of refugees being able to cross the armistice frontier prior to the conclusion of peace, irrespective of Israel legislation, economic or security capacity and of liberating the United Nations from its tasks of relief, is not merely irresponsible in terms of fact; it seeks to give a rhetorical effect at the expense of misery and shattered illusion among the refugees themselves.

Just as the refugee problem itself is a consequence of a decision to launch war in 1948, so the failure to solve it is the result of a refusal to negotiate peace during the years which have elapsed. It may be said that the decision to launch war in 1948 and the refusal to negotiate a peace settlement ever since are the two acts of policy which are responsible for every one of the ills and tensions which prevail in the Near East area today. In many ways I regard the protracted refusal to conclude a peace settlement as an almost greater act of cruelty toward the refugees than the original decision to make war.

It is against this background that we have given earnest attention to the main recommendation of the Conciliation Commission's report. The final paragraph of that report summarizes the Commission's conclusions as follows:

"In conclusion, the Conciliation Commission considers that the present situation requires that the parties undertake the discussion of all questions outstanding between them. The Commission believes that the General Assembly should urge the parties to engage without delay in direct discussions, under the auspices of the United Nations and with its assistance, in order to arrive at a peaceful settlement. The Commission considers that, within the framework of these

negotiations, the refugee position should be given priority of consideration. The Commission does not doubt that the parties will be able to arrive, through procedures consistent with established international practice and the obligations of members of the United Nations, at peaceful relations which should prevail among them."

Furthermore, I am authorized to declare that Israel will respond wholeheartedly to each part of that recommendation.

We are willing to "engage without delay in direct discussions under the auspices of the United Nations and with its assistance in order to arrive at a peaceful settlement." We further agree that "within the framework of these negotiations the refugee problem should be given priority of consideration." We share the Conciliation Commission's confidence in the ability of the parties "to arrive, through procedures consistent with established international practice and the obligations of members of the United Nations, at peaceful relations which should prevail amongst them."

In the General Assembly's resolution of December 1948, in which the refugee problem is conceived as part of a program for the restoration of peace in the area, two avenues of possible solution are mentioned. The resolution speaks of a return to the previous homes of refugees desiring to do so, provided that such return is practicable, and provided that those returning are ready to live at peace under the aegis of the Government of Israel. I notice that those two provisos have seldom been quoted by those who invoked that resolution this morning. However, the resolution also envisages the possibility of refugees not returning, in which case compensation is to be paid. We have never concealed our belief that the interests of the refugees and of the Near Eastern region would be best served by a policy of integration which would secure the individual welfare of the refugees in the shelter of governments and amidst a population akin to them in national loyalty as well as in social, cultural, linguistic, and religious affinity. Moreover, as months and years passed without any agreement from the neighboring States to negotiate a peace settlement, the possibility of any substantial restoration of the conditions existing before the war steadily diminished in the eyes of all qualified observers. Life has not stood still. It has moved forward with headlong speed. A vacuum does not endure. It is therefore significant that the Conciliation Commission now expresses its conviction "that having the interests of the refugees themselves in mind, attention should also be devoted in future to the resettlement in Arab countries of nonreturning refugees, to their economic rehabilitation and to the payment of compensation, as also recommended by the above resolution."

My delegation has no doubt that this recommendation embodies the principles whereby a total solution of the problem may be approached. Attention to the problems of resettlement is required not only from the viewpoint of the refugees themselves, but also, in the interests of lasting peace and stability amongst the peoples of the Near East.

As an immediate practical measure the Conciliation Commission announces in paragraph 9 of its report that it has taken steps to establish a Committee of Experts which will study the question of compensation in all its aspects. The report goes on to say that "the Commission counts on the cooperation of the parties in the accomplishment of its task."

My Government has always believed that it would be difficult to implement the solution of any of these problems except by negotiations with the Arab States concerned except in the context of a general peace negotiation. However, in order to avoid a long standing procedural deadlock, we now declare our willingness to make contact with the appropriate United Nations organs for studying with them the question of compensation in all its aspects. It follows therefore that the cooperation invited in paragraph 9 of the Conciliation Commission's report will at this stage be forthcoming from my Government.

We have taken note of the Conciliation Commission's view, expressed in paragraph 10 of its report, that one of the factors affecting the desirability of repatriation is the degree to which such a process would be consistent with the best interests of the refugees themselves. Since disproportionate attention has been focussed this morning by Arab spokesmen upon the responsibility of the Government of Israel for the solution of a problem which was created by the volition of the Arab States and, indeed, arose after the deliberate attempt to destroy Israel by force, we are gratified to notice in the report of the Conciliation Commission a clear recommendation also for "the adoption of measures by the Arab States for assuring the full reintegration of nonreturning refugees."

The Conciliation Commission's report thus illuminates the way to a solution of this problem in the context of a final settlement. The reports of the Secretary-

General and of the United Nations Relief and Works Agency focus our attention on the urgent tasks of relief and reintegration. The necessity for continued relief is another consequence of the protracted refusal of the States concerned to seek a negotiated solution of this and all other outstanding problems. However, the necessity to maintain and develop both the relief program and the works projects remains urgent and inescapable on the highest and the most transcendental human grounds. My delegation therefore supports the proposal of the United Nations Relief and Works Agency contained in paragraph 65 of its report to the effect that there should be a "continuation of direct relief with special and appropriate provision for the current winter months." Similarly, we uphold the recommendation contained in paragraph 67 of the same report to the effect that: "the works program be continued but be gradually transformed into a program specifically directed toward improvement of the refugees' living conditions—current and future."

But when everything possible has been said and done on the level of relief and emergency employment, the central fact remains that the time has now come for the General Assembly to take practicable and realistic action looking toward a final and permanent settlement, under which these people will come to be regarded not as refugees but as potential workers and citizens of the region, contributing to its welfare and benefiting from its resources. Relief allocations, however essential, are mere palliatives. Works projects are of greater significance since they imply a stage of liberation from complete dependence; yet at their present rate and scale, as we have seen them working, they do not hold promise of effecting a radical solution. The major effort of the international community and of the parties concerned must surely be directed henceforward toward programs of rehabilitation involving the harmonious integration of the refugees into productive life. The fact that such projects in their full details may not be available now, the fact that they may be delayed through political circumstances to which reference has been made, should not induce us to delay the preparatory measures essential for their eventual realization. The Director and Advisory Board of the UNRWA point out in their report that it is quite certain that in any case the reintegration of refugees will require large funds, and that it is not too early now to accumulate some of the resources which will in due time be applied, not to transient relief, but to permanent development. My Government therefore gives its support to the recommendation contained in paragraph 69 of the Agency's report and embodied, I now notice, in the draft resolution, proposing "that the United Nations authorize contributions to a fund that will be available for projects of refugee reintegration, surveys and technical assistance connected therewith."

My Government has repeatedly stated and now reaffirms its willingness to pay fair compensation for abandoned lands. It considers it vital that any funds accruing from such compensation be credited to the refugee integration fund referred to in paragraph 69 of the Agency's report and in the operative paragraphs of the joint draft resolution. A collective method of compensation offers better hopes for a speedy and constructive solution than any attempt to resolve the problem on the basis of individual grants.

In agreeing to immediate discussions with international agencies on the problems of compensation and on the establishment of a reintegration fund, Israel will regard itself as taking part in the first and most urgent installment of discussions leading to a final settlement. It must be borne in mind that under that settlement Israel reserves its own claim with reference to the assets of its own citizens in Arab countries and with reference to the loss and damage suffered as a result of war and invasion.

It may be useful for me to summarize the views of my Government on a solution of the Arab refugee problem:

- (1) The most important step that can be taken toward the final solution of this problem would be for the General Assembly to act on the recommendation contained in paragraph 11 of the Conciliation Commission report urging the parties to engage without delay in direct discussions, within the framework of which the refugee problem should be given priority of consideration.

- (2) We support the recommendations of the UNRWA for the continuance of the relief programs and of the works projects as an indispensable interim measure until final integration is achieved.

- (3) We offer our cooperation to the Committee of Experts referred to in paragraph 9 of the Conciliation Commission's report.

- (4) We support the recommendation contained in paragraph 67 of the UNRWA report urging the creation of a reintegration fund to be applied to the permanent settlement of refugees and their integration into normal and productive life.

(5) We accept the principle that any funds which Israel agrees to defray for compensation be credited to the integration fund instead of being dissipated in individual payments.

(6) We attach the utmost importance to the clear movement of opinion discernible in the reports of the Conciliation Commission and the UNRWA. These bodies, after intimate and prolonged contact with the refugee problem, now urge all parties concerned to devote greater attention than before to the question of resettlement in the Arab countries of nonreturning refugees. Consideration is also given in these documents to the fundamental changes which have taken place in the life of the area during the past two years, and to the doubt whether the return of refugees to Israel is either practicable or conducive to the best interests of the refugees themselves. We consider that any new resolutions of the General Assembly should reflect the acknowledged realities and possibilities of today, as well as the authoritative opinions and estimates of the General Assembly's own qualified organs.

My delegation is convinced that if the General Assembly were to adopt a recommendation in which all these elements—all of which clearly occur in the authorized reports now before the Committee—were integrated into a unified pattern, a substantial step can be taken by the fifth regular session toward a final solution of this grave humanitarian problem which weighs so heavily on the life of the Near East.

[United Nations Security Council. General, 8/2157, 18 May 1951. Original: English-French]

RESOLUTION CONCERNING THE PALESTINE QUESTION ADOPTED AT THE 547TH MEETING OF THE SECURITY COUNCIL ON 18 MAY 1951

The Security Council,

Recalling its past resolutions of 15 July 1948, 11 August 1949, 17 November 1950 and 8 May 1951 relating to the General Armistice Agreements between Israel and the neighbouring Arab States and to the provisions contained therein concerning methods for maintaining the armistice and resolving disputes through the Mixed Armistice Commissions participated in by the parties to the General Armistice Agreements;

Noting the complaints of Syria and Israel to the Security Council, statement in the Council of the representatives of Syria and Israel, the reports to the Secretary-General of the United Nations by the Chief of Staff and the Acting Chief of Staff of the United Nations Truce Supervision Organization for Palestine and statements before the Council by the Chief of Staff of the United Nations Truce Supervision Organization for Palestine;

Noting that the Chief of Staff of the Truce Supervision Organization in a memorandum of 7 March 1951, and the Chairman of the Syrian-Israeli Mixed Armistice Commission on a number of occasions have requested the Israel Delegation to the Mixed Armistice Commission to ensure that the Palestine Land Development Company, Limited, is instructed to cease all operations in the demilitarized zone until such time as an agreement is arranged through the Chairman of the Mixed Armistice Commission for continuing this project, and,

Noting further that Article V of the General Armistice Agreement between Israel and Syria gives to the Chairman the responsibility for the general supervision of the demilitarized zone,

Endorses the requests of the Chief of Staff and the Chairman of the Mixed Armistice Commission on this matter and calls upon the Government of Israel to comply with them;

Declares that in order to promote the return of permanent peace in Palestine, it is essential that the Governments of Israel and Syria observe faithfully the General Armistice Agreement of 20 July 1949;

Notes that under Article VII, paragraph 8, of the Armistice Agreement, where interpretation of the meaning of a particular provision of the agreement, other than the preamble and Articles I and II, is at issue, the Mixed Armistice Commission's interpretation shall prevail;

Calls upon the Governments of Israel and Syria to bring before the Mixed Armistice Commission or its Chairman, whichever has the pertinent responsibility under the Armistice Agreement, their complaints and to abide by the decisions resulting therefrom;

Considers that it is inconsistent with the objectives and intent of the Armistice Agreement to refuse to participate in meetings of the Mixed Armistice Commission or to fail to respect requests of the Chairman of the Mixed Armistice Commission

as they relate to his obligations under Article V and calls upon the parties to be represented at all meetings called by the Chairman of the Commission and to respect such requests;

Calls upon the parties to give effect to the following excerpt cited by the Chief of Staff of the Truce Supervision Organization at the 542nd meeting of the Security Council on 25 April 1951, as being from the summary record of the Syria-Israel Armistice Conference of 3 July 1949, which was agreed to by the parties as an authoritative comment on Article V of the General Armistice Agreement between Israel and Syria:

"The question of civil administration in villages and settlements in the demilitarized zone is provided for, within the framework of an Armistice Agreement, in sub-paragraphs 5 (b) and 5 (f) of the draft article. Such civil administration, including policing, will be on a local basis, without raising general questions of administration, jurisdiction, citizenship, and sovereignty.

"Where Israeli civilians return to or remain in an Israeli village or settlement, the civil administration and policing of the village or settlement will be by Israelis. Similarly, where Arab civilians return to or remain in an Arab village, a local Arab administration and police unit will be authorized.

"As civilian life is gradually restored, administration will take shape on a local basis under the general supervision of the Chairman of the Mixed Armistice Commission.

"The Chairman of the Mixed Armistice Commission, in consultation and co-operation with the local communities, will be in a position to authorize all necessary arrangements for the restoration and protection of civilian life. He will not assume responsibility for direct administration of the zone."

Recalls to the Governments of Syria and Israel their obligations under Article 2, paragraph 4 of the Charter of the United Nations and their commitments under the Armistice Agreement not to resort to military force and finds that:

(a) Aerial action taken by the forces of the Government of Israel on 5 April 1951, and

(b) Any aggressive military action by either of the parties in or around the demilitarized zone, which further investigation by the Chief of Staff of the Truce Supervision Organization into the reports and complaints recently submitted to the Council may establish,

constitute a violation of the cease-fire provision provided in the Security Council resolution of 15 July 1948 and are inconsistent with the terms of the Armistice Agreement and the obligations assumed under the Charter;

Noting the complaint with regard to the evacuation of Arab residents from the demilitarized zone;

(a) Decides that Arab civilians who have been removed from the demilitarized zone by the Government of Israel should be permitted to return forthwith to their homes and that the Mixed Armistice Commission should supervise their return and rehabilitation in a manner to be determined by the Commission; and

(b) Holds that no action involving the transfer of persons across international frontiers, armistice lines or within the demilitarized zone should be undertaken without prior decision of the Chairman of the Mixed Armistice Commission.

Noting with concern the refusal on a number of occasions to permit observers and officials of the Truce Supervision Organization to enter localities and areas which were subjects of complaints in order to perform their legitimate functions,

Considers that the parties should permit such entry at all times whenever this is required, to enable the Truce Supervision Organization to fulfill its functions, and should render every facility which may be requested by the Chairman of the Mixed Armistice Commission for this purpose;

Reminds the parties of their obligations under the Charter of the United Nations to settle their international disputes by peaceful means in such manner that international peace and security are not endangered and expresses its concern at the failure of the Governments of Israel and Syria to achieve progress pursuant to their commitments under the Armistice Agreement to promote the return to permanent peace in Palestine;

Directs the Chief of Staff of the Truce Supervision Organization to take the necessary steps to give effect to this resolution for the purpose of restoring peace in the area and authorizes him to take such measures to restore peace in the area and to make such representations to the Governments of Israel and Syria as he may deem necessary;

Calls upon the Chief of Staff of the Truce Supervision Organization to report to the Security Council on compliance given to the present resolution;

Requests the Secretary-General to furnish such additional personnel and assistance as the Chief of Staff of the Truce Supervision Organization may request in carrying out the present resolution and the Council's resolutions of 8 May 1951 and 17 November 1950.

[United Nations Security Council. General, S/2173 29 May 1951. Original: English]

CABLEGRAM DATED 28 MAY 1951 FROM THE CHIEF OF STAFF OF THE TRUCE SUPERVISION ORGANIZATION ADDRESSED TO THE SECRETARY-GENERAL TRANSMITTING A REPORT TO THE SECURITY COUNCIL.

I have honour to submit for transmission to President Security Council interim report on steps taken to give effect to Security Council resolution of 18 May 1951.

1. Since my return to Palestine area on 16 May 1951 I have had a number of exploratory talks with Government officials of Israel and Syria and it is my understanding that both parties are anxious to resolve differences which have arisen in past few weeks. They appear willing to abide by provisions of Security Council resolution of 18 May 1951.

2. However, a difference of opinion does exist between parties relative to interpretation of "intent" of Security Council resolution in regard to paragraphs 3 and 4 of resolution which deal with operations of Palestine Land Development Company in Demilitarized Zone.

3. On one hand, Israel understands that point at issue is "safeguarding of legitimate rights and interests of Arab owners of land in Demilitarized Zone affected by Huleh drainage operations". Israel does not consider that Security Council envisaged indefinite suspension of work on project. Israel has made it clear that "in complying with Security Council's directions, it reserves fully what it holds to be Israel's inalienable right to bring Huleh drainage project to a successful close in interests of Israel and inhabitants of region".

4. On other hand, Syria holds view that its request to Security Council took in consideration not only interests of Arabs whose land was involved in drainage project but was also intended to prevent creation of military or political advantages in area. This is why Syria must maintain her point of view and make strongest reservations if Israel continues their work.

5. My views which have been expressed to officials of both governments in my talks are in general accord with those of Israel as regards "intent" of Security Council. I believe that at no time did members of Security Council entertain idea that Huleh project, as a project, was to be stopped indefinitely. However, Security Council resolution did endorse requests of Chief of Staff and Chairman of Mixed Armistice Commission to Israel delegate to MAC to "ensure that Palestine Land Development Company Limited is instructed to cease all operations in Demilitarized Zone until such time as an agreement is arranged through Chairman of MAC for continuing their project."

6. Due to an "oral misunderstanding", Government of Israel assumed that in our talks of 21 May 1951, I, acting in my capacity as Chairman of MAC, had given my approval for resumption of work on lands not under dispute within Demilitarized Zone after a 24 hour suspension of work.

7. Government of Israel in a communication addressed to me dated 22 May 1951, stated in part "in deference to Security Council decision and in order to facilitate task which has been placed upon you in bringing about such an agreement, Government of Israel has requested Palestine Land Development Company to suspend operations on land affected for necessary brief period as from tomorrow 23 May 1951. Scene of work will in meantime shift to lands which are unaffected by present dispute, where operations will begin on following morning".

8. Not being aware at time that paragraph quoted above was based on a misunderstanding, I replied that while I appreciated stand Israel had taken on stoppage of work on disputed Arab owned land, "I do feel that Israel was jeopardizing an orderly solution to problem by resuming work at this time in Demilitarized Zone". I urged Government of Israel to "instruct Palestine Land Development Company to desist from further operations in Demilitarized Zone until Chairman of MAC can arrange for a continuation of project".

9. I regret this misunderstanding because task of working out an orderly solution of problem has now been greatly complicated by fact that Government

¹ A few copies of this document were issued in which the word "defense" was employed on page 2, paragraph 7, line 2. This has now been corrected to read "deference".

of Israel saw fit to make public, simultaneously, its communication of 22 May 1951 addressed to Chief of Staff in which above paragraph appeared, and by fact that work on project was resumed at such short notice before I could make an attempt to clear up understanding.

10. In course of my talks, Syria also stressed urgency of return of Arabs, and Israel has expressed its willingness to permit return of those Arabs who desire to do so. Before this can be accomplished, I must of necessity have agreement of Government of Israel to allow United Nations Observers to interview Arabs of Demilitarized Zone, who are now in Israel, without Israel Army or Police officers being present in order to determine desires of these individuals. Such agreement has not been received to date.

11. Today 28 May 1951, I convened formal meeting of Syrian-Israel MAC. I reviewed Security Council's resolution of 18 May 1951 and indicated which of its clauses come under competence of MAC and which under Chairman. I also (a) have requested stoppage of all work in Demilitarized Zone pending consultation between United Nations Chairman and Director General Palestine Land Development Company; (b) discussed arrangements for early return to Demilitarized Zone of those Arabs, who had been evacuated during recent disturbances, if they wish to return; (c) suggested that United Nations Chairman correlate matters regarding policing of Demilitarized Zone in accordance with General Armistice Agreement and explanatory note quoted in Security Council resolution of 18 May 1951; (d) re-affirmed those matters which come under competence of MAC and those which come within competence of Chairman; (e) made proposals as to handling by MAC of numerous complaints submitted by both parties in recent months.

12. A further report on compliance given to Security Council resolution of 18 May 1951 will be made at later date.

(Signed) Major-General WILLIAM E. RILEY,
Chief of Staff,
United Nations Truce Supervision Organization for Palestine.

[United Nations Security Council. S/2155, 6 June 1951. Original: English. General distribution on 6 June 1951]

CABLEGRAM DATED 5 JUNE 1951 FROM THE CHIEF OF STAFF OF THE TRUCE SUPERVISION ORGANIZATION FOR PALESTINE ADDRESSED TO THE SECRETARY-GENERAL TRANSMITTING AN INTERIM REPORT TO THE SECURITY COUNCIL

I have the honour to submit for transmission to the President of the Security Council a further interim report¹ on steps taken to give effect to the Security Council resolution of 18 May 1951 (S/2157).

1. The Government of Israel, in accordance with the request of the Chief of Staff, stopped work in the demilitarized zone at 1630 local Israel time on 5 June 1951 pending an investigation by the Chairman of the status of areas of land upon which work had been in progress. Upon completion of this investigation, the Chairman will authorize the resumption of work on land ascertained by him not to be the subject of dispute.

2. Arrangements have been made with the Government of Israel for the Chairman of the Syrian-Israel Mixed Armistice Commission to interview Arabs who had recently been evacuated from the demilitarized zone to Shaab, in Israel.

3. Following completion of the interview referred to in paragraph 2, the Government of Israel has agreed that those Arabs who express their desire to return to the demilitarized zone will be permitted to do so.

4. The Chairman of the Syrian-Israel Mixed Armistice Commission is examining possible ways and means of reaching an agreement with the Arab landowners in the demilitarized zone whose lands are involved in the works project of the Palestine Land Development Company Limited, with a view to continuing the project.

5. Discussions are now in progress with regard to the general supervisory power of the Chairman of the Mixed Armistice Commission in accordance with Article 5 of the General Armistice Agreement (S/1353/Rev. 1) and the explanatory note reproduced in the ninth paragraph of the Security Council resolution of 18 May 1951.

Major-General WILLIAM E. RILEY,
Chief of Staff,
United Nations Truce Supervision Organization for Palestine.

¹ See document S/2173.

[United Nations Security Council. General. S/2213, 27 June 1951. Original: English]

CABLEGRAM DATED 26 JUNE 1951 FROM THE CHIEF OF STAFF OF THE TRUCE SUPERVISION ORGANIZATION ADDRESSED TO THE SECRETARY-GENERAL, TRANSMITTING A FURTHER INTERIM REPORT ON STEPS TAKEN TO GIVE EFFECT TO THE SECURITY COUNCIL RESOLUTION OF 18 MAY 1951 (S/2157)

I have the honour to submit for transmission to the President of the Security Council a further interim report on steps taken to give effect to the Security Council resolution of 18 May 1951 (S/2157).

1. On 23 May 1951 the Palestine Land Development Company ceased operation in connexion with the Huleh concession project on all Arab-owned land in the demilitarized zone, which land had been the subject of dispute since 12 February 1951.

2. The Chairman of the Syrian-Israel Mixed Armistice Commission then initiated an enquiry amongst Arabs whose lands lie along the Jordan River or contiguous thereto to determine if agreement were possible whereby acceptance of fair compensation or exchange of land within the demilitarized zone could be arranged to avoid jeopardizing restoration of normal civilian life.

3. The situation regarding the land in question may be summarized as follows:

(a) The land needed along the Jordan River for the proposed channel amounts to approximately 25 dunams, situated along the west and east banks in numerous small parcels for a distance of about three kilometres with 70 landowners involved.

(b) The land to be used during the period of construction of the embankments and to be eventually returned to the owners amounts to approximately 415 dunams, with 117 landowners involved.

(c) As there are many co-owners of lands in both groups mentioned in subparagraphs (a) and (b), the total number of landowners actually involved is 125.

4. The Chairman personally interviewed 28 Arabs who represented a total of 85 out of 125 Arab landowners. These 28, along with those they represented, appear from best evidence available to hold to 95 percent of the Arab land required for the proposed channel of the Jordan River, and to 90 percent of the Arab land in the demilitarized zone required for temporary use while the embankments are under construction.

5. This group unanimously rejected any proposal relative to rental, sale, or exchange of any or all of their lands for other lands within the demilitarized zone.

6. The rejection of the Chairman's proposals may result in indefinite suspension of the "Project" as a project unless the parties can resolve their differences. Attention is invited to difference of opinion that exists between the parties in this regard as reported in paragraphs 2, 3, 4 and 5 of document S/2173 dated 29 May 1951. Due to the adamant stand of both parties, it is quite apparent that a dangerous situation may develop if the Palestine Land Development Company should decide to resume work on Arab-owned lands in the demilitarized zone before agreement is reached.

7. At an informal meeting of the Mixed Armistice Commission on 20 June 1951, the Senior Israel delegate rejected a suggestion advanced by the Senior Syrian delegate whereby an agreement could be reached between the parties in regard to the project. The Israel delegate rejected the suggestion as too limited in scope. However, he also added that his Government was prepared to enter into discussions with Syria which might lead to settlement of all outstanding problems that presently face both Governments.

8. Due to disagreement as to scope of an agenda, it appears unlikely that a suitable solution can be arranged through the Mixed Armistice Commission. Therefore, recourse may be sought under article VIII, paragraph 3 of the General Armistice Agreement by either of parties. If this method fails, then recourse may be sought under paragraph 4 which states "If the conference provided for in paragraph 3 of this article does not result in an agreed solution of a point in dispute, either party may bring the matter before the Security Council of the United Nations for the relief sought, on the grounds that this Agreement had been concluded in pursuance of Security Council action toward the end of achieving peace in Palestine".

9. With reference to the action of the Chief of Staff in authorizing the Palestine Land Development Company to resume work on land not under dispute, the following information was used in arriving at his decision (attention is invited to section IV of document S/2049 for pertinent details). It is to be noted that Syria at that time, in addition to the objections advanced regarding the project

as a whole, also stated in paragraph 1 of section IV "The Syrian delegation further held that the work undertaken by the Israel authorities prevented many Arab residents of the demilitarized zone from resuming normal civilian life".

10. Paragraph 3, sub-paragraph A (b) of section IV of document S/2049 expresses my views on the question of the "Project" as a project. At no time, prior to submission of my memorandum, during the discussions that took place in the Security Council meetings which led to adoption of the resolution of 18 May 1951 (S/2157) was the question raised as to whether or not lands other than Arab-owned lands might be involved. Such a possibility was first raised on 18 or 19 May 1951. Not until I was in receipt of the Government of Israel's letter dated 22 May 1951, an excerpt of which is quoted in paragraph 7 of S/2173 was I officially aware that work in connexion with the project would be continued on other than Arab-owned land. Thus a new problem was introduced.

11. In accordance with the interpretation of article V of the General Armistice Agreement which is clearly enunciated in the explanatory note of 26 June 1949 (quoted in S/2157) the Chairman could not authorize the Palestine Land Development Company to continue its work on Arab-owned lands until such time as an agreement is arranged through the Chairman for continuing this project.

12. I invite attention to section IV, paragraph 2 of S/2049 in which the Chief of Staff made his interpretation of article V. Though not mentioned, his understanding of article V was based on the interpretation of this article as set forth in the explanatory note of 26 June 1949.

13. When it was learned that the Palestine Land Development Company could work on certain Israel lands without infringing on Arab land, the Chief of Staff then requested the Palestine Land Development Company again to stop all work on 5 June 1951 in the demilitarized zone in accordance with S/2157 until the Chairman had the opportunity to check as to whether lands on which work was resumed on 24 May could be considered as Arab-owned. This investigation was completed and as lands were not considered to be Arab-owned, permission was granted to the Palestine Land Development Company to proceed with work on 11 June 1951. This action was based on article V as interpreted by the final paragraph of the explanatory note of 26 June 1949.

GENERAL RILEY.

EXCERPTS FROM TRANSCRIPT OF SECURITY COUNCIL MEETING OF MAY 18, 1951,
CONCERNING THE PALESTINE QUESTION

Sir GLADWYN JEBB (United Kingdom). I do not know whether or not I am answering the question, but I should like to make a few remarks on the subject of the drainage system.

I must say I was very grateful to the representative of the Netherlands for raising the question of the interpretation to be given to paragraphs 3, 4 and 5 of the draft resolution which deal with the drainage scheme. I was particularly glad because it gives me an opportunity to explain in greater detail, and I think I may say on behalf of the sponsors of the joint draft resolution, the procedures which we think should be followed to resolve this dispute.

Members of the Council will recall that I did make some allusion to this matter in my brief statement on 16 May, and I should like to quote what I said then. What I said then was:

"Furthermore, should either of the two Governments feel that the provisions of the Armistice Agreement are unsatisfactory in any particular, and, as I have said, we are fully aware that the form of administration provided by the Agreement is by no means ideal, my Government considers them to be under an obligation to use the procedure defined in article VIII, paragraphs 3 and 4 of the Agreement. If I may illustrate this by a case in point, may I say that if the Government of Israel considers that the Agreement is defective insofar as it enables the land-owners of the area near Banat Yakub to hold up indefinitely the Palestine Land Development Company's Lake Huleh drainage project, their right course must be to put forward whatever amendments to the Agreement they consider necessary to a conference convoked by the Secretary-General under the provisions of this article, and if necessary to bring their proposals to the Security Council. If instead the Palestine Land Development Company proceeds with its operations and expropriates the land, having no authority to do so, the Company and the Israel authorities who control its operations must inevitably place themselves in the wrong in this matter."

That is what I said on a previous occasion.

The sponsors of this joint draft resolution are all agreed that the Lake Huleh drainage project would undoubtedly promote the general welfare of the area, and, on general grounds, therefore, they would like, as at present advised, to see it put into effect as soon as possible. On the other hand, we are conscious of the duty of the Truce Supervision Organization to safeguard the legitimate rights and interests of the Arab landowners. The first objective of the draft resolution is, therefore, to bring about the suspension of the drainage operations in the demilitarized zone to enable the Chief of Staff of the Truce Supervision Organization to use his good offices in an effort to bring about and negotiate a settlement between the owners of the affected land and the Palestine Land Development Company. If this effort to obtain a negotiated settlement fails, the sponsors of the draft resolution would then look to the parties to the dispute to use the machinery provided by the General Armistice Agreement to reach a settlement.

The Israel authorities would thus request the Chairman of the Mixed Armistice Commission to act under article V of this Agreement, and we could hope that he would be able to arrange matters in such a way as to enable the drainage project to go forward, while at the same time satisfying all reasonable claims by the owners of the lands affected by it. But it might be that the Mixed Armistice Commission would decide that the Chairman was not competent to arrange a settlement in default of the agreement of the Arab landowners concerned, and if that were the case, the sponsors of this resolution contemplate that the Government of Israel would make use, to which they are entitled, of the provisions of article VIII of the general Armistice Agreement and, if necessary, bring this matter before the Security Council under paragraph 4 of that article.

My colleagues and I are fully aware of the need to obtain a settlement of this question of the drainage operations as quickly as possible, and although we think that the machinery provided by the general Armistice Agreement, which both parties have pledged themselves to use, should be adopted, we do not believe that this need necessarily postpone a final decision for more than, at the most, a few weeks.

If I may summarize the intentions which the sponsors of this draft resolution had in mind in drafting paragraphs 3, 4 and 5, I should like to say that they hope that a negotiated settlement between the Palestine Land Development Company and the landowners might be quickly achieved, but that if in spite of the clearly expressed views of the Council to this effect no such negotiated settlement proved possible, then the procedures and the machinery provided by the general Armistice Agreement should be used in order to make a final settlement possible. I believe I may say on behalf of the sponsors of this draft resolution that if the Government of Israel did apply to the Council for relief, in accordance with the general Armistice Agreement, to enable it to acquire the land on suitable terms and to proceed with the drainage operations we should not—I speak for the sponsors—be unsympathetic to this approach; and it might well be that, as it could, the Security Council would then bestow upon General Riley the necessary authority to this end, provided, in his judgment, such action was desirable in the interest of the maintenance of international peace and security.

That is my endeavour to translate the view of the sponsors on that point.

Mr. Gross (United States of America). The representative of Israel referred in his statement to the apprehension of his Government that, as he said, the text of the draft resolution—I quote from his statement: "irrespective of the intention of its sponsors, confers a veto power upon the very interests which are implacably opposed to the drainage of the Huleh swamps. Since there will be no agreement, there will be no drainage."

That is a quotation from the statement made by the representative of Israel this afternoon. In associating the delegation of the United States with the statement made by Sir Gladwyn Jebb just now, I hope that the apprehension expressed by the representative of Israel will have been met. I should like to underline, on behalf of my delegation, the comment made on behalf of all the sponsors by Sir Gladwyn Jebb, that the sponsors of the resolution are all agreed that the Lake Huleh drainage project would undoubtedly promote the general welfare of the area and on general grounds they would like to see it put into effect as soon as possible.

BACKGROUND OF SECURITY COUNCIL RESOLUTION OF MAY 18, 1951, CONCERNING PALESTINE QUESTION

The four-power resolution sponsored by the United States, the United Kingdom, France and Turkey on the Palestine situation was adopted by the Security Council on May 18, 1951 by a vote of ten in favor, one against, and one abstention. It is important to note that this resolution was a United Nations action sponsored by four members of the Security Council and approved by a unanimous vote. It represents the considered judgment of the Council after detailed examination of the evidence submitted by the United Nations Truce Supervision Organization and after careful study of the statements of the representatives of the Governments of Syria and Israel.

Article Five of the Israel-Syrian Armistice Agreement of July 20, 1949 establishes a Demilitarized Zone from which the armed forces of both Syria and Israel are totally excluded and in which the United Nations Chairman of the Mixed Armistice Commission has certain special rights and responsibilities. These responsibilities include general supervision of the Demilitarized Zone and arrangements for the restoration and protection of normal civilian life both Arab and Israeli. Policing and administration in the area would be on a local basis without raising general questions of administration, jurisdiction, citizenship, and sovereignty. According to a letter of June 25, 1949, to the Governments of both Israel and Syria from Dr. Ralph Bunche, then Acting Mediator for Palestine, "The provision for the Demilitarized Zone in light of all circumstances is the most that can be reasonably expected in an Armistice Agreement by either party. Questions of permanent boundaries, territorial sovereignty, customs, trade relations, and the like must be dealt with in the ultimate peace settlement and not in the Armistice Agreement."

The immediate background of the present dispute is set forth in a report to the United Nations of March 12, 1951 from Major General William E. Riley, Chief of Staff of the United Nations Truce Supervision Organization, who is charged with the general supervision of the several Armistice Agreements between Israel and the neighboring Arab states. A copy of the section of the report on the operations of the Israel-Syrian Mixed Armistice Commission is enclosed.

In a memorandum to both Syria and Israel dated March 7, which is included in this report, General Riley gave as his opinion that the Syrians had no right to object to Israel operations in the Huleh Marsh area outside the Demilitarized Zone but "the Palestine Land Development Company should cease its operations in the Demilitarized Zone until such time as a mutual agreement is arranged through the Chairman between Syria and Israel for continuing this project." On March 10 the Chairman of the Mixed Armistice Commission requested the Israel authorities to cease operations in the Zone and on a number of subsequent occasions similar orders and requests were made by the Chairman of the Mixed Armistice Commission.

It is believed that the deterioration of security in the Demilitarized Zone after March 10 can be attributed to the fact that these requests of the United Nations Chairman went unheeded and to the ensuing inability of the Mixed Armistice Commission to deal with the issues at hand. From the middle of March to the beginning of May there were sporadic outbreaks of shooting in the Demilitarized Zone, the most serious occurring on April 4 and 5 and again at the beginning of May. On May 8 the Security Council adopted a resolution calling upon both parties to cease fire. Both governments accepted this resolution and the situation is reported generally peaceful in the area at the present time.

It is pointed out that the fundamental consideration of the four-power resolution is the strengthening of the Syrian-Israeli Mixed Armistice Commission and of the authority of the United Nations Chief of Staff in dealing with this particular situation in the Demilitarized Zone within the terms of the Armistice Agreement and with the machinery already established for that purpose. It was not the design of the sponsors of the resolution to bring about a permanent cessation of the drainage operations in the Huleh area which are, of course, dependent on the work in the Demilitarized Zone. On May 18, 1951, Sir Gladwyn Jebb, permanent United Nations representative of the United Kingdom, on behalf of the four sponsors, discussed this aspect of the resolution in the Security Council. A transcript of his remarks together with the immediately following statement of the United States representative in the Council are enclosed for your information. As of possible interest there is also enclosed a copy of the Security Council resolution of May 18, 1951.

It is hoped that the limited arrangements represented by the Armistice Agreements can be supplanted or expanded by additional agreements between Israel and the Arab states which will result in final peace settlements. Meanwhile, in default of more comprehensive settlements, these Armistice Agreements are the only, and therefore invaluable, instruments safeguarding peace in the area. As such they must be carefully preserved. It is the belief of the United States that it is only through scrupulous adherence by the parties to the Armistice Agreements and Security Council resolutions that a solid foundation can be laid for eventual permanent peace.

RESOLUTION ON THE PALESTINE QUESTION ADOPTED BY THE SECURITY COUNCIL
ON MAY 18, 1951

The Security Council,

Recalling its past resolutions of 15 July 1948, 11 August 1949, 17 November 1950 and 8 May 1951 relating to the armistice agreements between Israel and the neighboring Arab States and to the provisions contained therein concerning methods for maintaining the armistice and resolving disputes through the Mixed Armistice Commissions participated in by the parties to the Armistice Agreement:

Noting the complaints of Syria and Israel to the Security Council, statements in the Council of the representatives of Syria and Israel, the reports to the Secretary-General of the United Nations by the Chief of Staff and the Acting Chief of Staff of the United Nations Truce Supervision Organization for Palestine, and statements before the Council by the Chief of Staff of the United Nations Truce Supervision Organization for Palestine;

Noting that the Chief of Staff of the Truce Supervision Organization in a memorandum of 7 March 1951, and the Chairman of the Syrian-Israel Mixed Armistice Commission on a number of occasions have requested the Israel Delegation to the Mixed Armistice Commission to insure that the Palestine Land Development Company, Limited, is instructed to cease all operations in the demilitarized zone until such time as an agreement is arranged through the Chairman of the Mixed Armistice Commission for continuing this project, and,

Noting further that Article V of the General Armistice Agreement gives to the Chairman the responsibility for the general supervision of the demilitarized zone,

Endorses the requests of the Chief of Staff and the Chairman of the Mixed Armistice Commission on this matter and calls upon the Government of Israel to comply with them;

Declares that in order to promote the return of permanent peace in Palestine, is essential that the Governments of Israel and Syria observe faithfully the General Armistice Agreement of 20 July 1949;

Notes that under Article 7, paragraph 8, of the Armistice Agreement, where interpretation of the meaning of a particular provision of the agreement, other than the preamble and Articles I and II, is at issue, the Mixed Armistice Commission's interpretation shall prevail;

Considers that it is inconsistent with the objectives and intent of the Armistice Agreement to refuse to participate in meetings of the Mixed Armistice Commission or to fail to respect requests of the Chairman of the Mixed Armistice Commission as they relate to his obligations under Article V and calls upon the parties to be represented at all meetings called by the Chairman of the Commission and to respect such requests.

Calls upon the parties to give effect to the following excerpt cited by the Chief of Staff of the Truce Supervision Organization at the 542nd meeting of the Security Council on 25 April 1951, as being from the summary record of the Syria-Israel Armistice Conference of 3 July 1949, which was agreed to by the parties as an authoritative comment on Article V of the Syria-Israel Armistice Agreement:

"The question of civil administration in villages and settlements in the demilitarized zone is provided for, within the framework of an Armistice Agreement, in sub-paragraphs 5 (b) and 5 (f) of the draft article. Such civil administration, including policing, will be on a local basis, without raising general questions of administration, jurisdiction, citizenship, and sovereignty.

"Where Israeli civilians return to or remain in an Israeli village or settlement, the civil administration and policing of the village or settlement will be by Israelis. Similarly, where Arab civilians return to or remain in an Arab village, a local Arab administration and police unit will be authorized.

"As civilian life is gradually restored, administration will take shape on a local basis under the general supervision of the Chairman of the Mixed Armistice Commission.

"The Chairman of the Mixed Armistice Commission, in consultation and co-operation with the local communities, will be in a position to authorize all necessary arrangements for the restoration and protection of civilian life. He will not assume responsibility for direct administration of the zone."

Recalls to the Governments of Syria and Israel their obligations under Article II, paragraph 4 of the Charter of the United Nations and their commitments under the Armistice Agreement not to resort to military force and finds that: (A) Aerial action taken by the forces of the Government of Israel on 5 April 1951 and (B) any aggressive military action by either of the parties in or around the demilitarized zone, which further investigation by the Chief of Staff of the Truce Supervision Organization into the reports and complaints recently submitted to the Council may establish, constitute a violation of the cease-fire provision provided in the Security Council resolution of 15 July 1948 and are inconsistent with the terms of the Armistice Agreement and the obligations assumed under the Charter.

Noting the complaint with regard to the evacuation of Arab residents from the demilitarized zone: (A) decides that Arab civilians who have been removed from the demilitarized zone by the Government of Israel should be permitted to return forthwith to their homes and that the Mixed Armistice Commission should supervise their return and rehabilitation in a manner to be determined by the Commission; and (B) holds that no action involving the transfer of persons across international frontiers, armistice lines or within the demilitarized zone should be undertaken without prior decision of the Chairman of the Mixed Armistice Commission.

Noting with concern the refusal on a number of occasions to permit observers and officials of the Truce Supervision Organization to enter localities and areas which were subjects of complaints in order to perform their legitimate functions, considers that the parties should permit such entry at all times whenever this is required, to enable the Truce Supervision Organization to fulfil its functions, and should render every facility which may be requested by the Chairman of the Mixed Armistice Commission for this purpose.

Reminds the parties of their obligations under the Charter of the United Nations to settle their international disputes by peaceful means in such manner that international peace and security are not endangered and expresses its concern at the failure of the Governments of Israel and Syria to achieve progress pursuant to their commitments under the Armistice Agreement to promote the return to permanent peace in Palestine.

Directs the Chief of Staff of the Truce Supervision Organization to take the necessary steps to give effect to this resolution for the purpose of restoring peace in the area and authorizes him to take such measures to restore peace in the area and to make such representations to the Governments of Israel and Syria as he may deem necessary.

Calls upon the Chief of Staff of the Truce Supervision Organization to report to the Security Council on compliance given to this resolution.

Requests the Secretary-General to furnish such additional personnel and assistance as the Chief of Staff of the Truce Supervision Organization may request in carrying out this resolution and the Council's resolution of 8 May 1951 and 17 November 1950.

EXCERPT OF A REPORT DATED 12 MARCH 1951 FROM THE CHIEF OF STAFF OF THE TRUCE SUPERVISION ORGANIZATION TO THE SECRETARY GENERAL OF THE UNITED NATIONS ON THE STATUS OF THE OPERATIONS OF THE MIXED ARMISTICE COMMISSIONS

IV. SYRIAN-ISRAEL MIXED ARMISTICE COMMISSION

1. The main concern of the Syrian-Israel Mixed Armistice Commission has been the administration of demilitarized zones and the problems arising therefrom. The Israel project for straightening and deepening the bed of the Jordan River at the southern end of Lake Hula has led to complaints to the Syrian-Israel Mixed Armistice Commission by the Syrian delegation. The aim of this project is to lower the water level of Lake Hula and to dry the marshes north thereof. The Syrian delegation has contended that the carrying out of this project would remove a natural military obstacle, in contravention of article II, paragraph 1 of the Syrian-Israel General Armistice Agreement, which states:

"The principle that no military or political advantage should be gained under the truce ordered by the Security Council is recognized."

The Syrian delegation further held that the work undertaken by the Israel authorities prevented many Arab residents of the demilitarized zone from resuming normal civilian life.

2. Under the terms of article V of the Syrian-Israel General Armistice Agreement the Syrian delegation is required to address its complaint concerning the demilitarized zone to the United Nations Chairman, and likewise the United Nations Chairman can decide whether the work being carried out by the Israel authorities in the demilitarized zone could be permitted under the term of the General Armistice Agreement. The Syrian complaint was made to the Syrian-Israel Mixed Armistice Commission on 14 February 1951. The Israel delegation, however, raised no objection to the complaint being considered by the Commission. Instead, at the formal meeting of the Syrian-Israel Mixed Armistice Commission on 21 February 1951, both delegations agreed mutually to seek the opinion of the United Nations Chief of Staff on the question as to whether or not the work undertaken by the Israel authorities constituted a contravention of Article II (military advantage) of the General Armistice Agreement.

3. At the meeting of the Syrian-Israel Mixed Armistice Commission on 7 March 1951, the United Nations Chief of Staff submitted a memorandum to the Chairman of the Syrian-Israel Mixed Armistice Commission which was circulated to the delegations. In submitting the memorandum, the United Nations Chief of Staff took into consideration the fact that the Israel delegation had raised no objection to the Syrian complaint being discussed in the Syrian-Israel Mixed Armistice Commission. This memorandum read as follows:

"A. In accordance with the desires of both delegations of the Syrian-Israel Mixed Armistice Commission as expressed at the 58th meeting held on 21 February 1951, the views of the Chief of Staff are transmitted with respect to the Lake Hula Concession project now being undertaken.

"a. Military Advantage

It can be argued that in the draining of Lake Hula marshes, any military advantage which will accrue to one Party shall be equally enjoyed by the other Party. It should be pointed out that the terrain along the demarcation line and east of the international border between Syria and Palestine in the vicinity of the Hula marshes is in itself a natural obstacle to the movement of military forces. These topographical features and extremely high ground present a dominating military terrain feature from which the Syrians can control the ground which is now marsh land. The argument of Syria that in drawing up the Armistice Agreement a demilitarized zone was created where no natural obstacles existed, is not valid. Article V, paragraph 3, states in part:

"The Armistice Demarcation Line shall follow a line midway between the existing truce lines, as certified by the United Nations Truce Supervision Organization for the Israel and Syrian forces. Where the existing truce lines run along the international boundary between Syria and Palestine, the Armistice Demarcation Line shall follow the boundary line."

Article V, paragraph 5 (a) states in part:

"Where the Armistice Demarcation Line does not correspond to the international boundary between Syria and Palestine, the area between the Armistice Demarcation Line and the boundary, pending final territorial settlement between the Parties, shall be established as a Demilitarized Zone."

From these articles, it is conclusive that a demilitarized zone was created where the truce lines did not correspond to the international border between Syria and Palestine, and not in locations where no natural obstacles prevented the movement of armed forces.

It is concluded that:

- I. in draining Lake Hula, the Israelis will not enjoy any military advantages not equally applicable to the Syrians;
- II. the demilitarized zone was not created where natural obstacles to the movement of armed forces were non-existent.

"b. Civilian Works

In draining the Hula marshes, the Israelis are performing works of a civilian nature for the purpose of reclaiming land for cultivation. This work affects land in the territory under Israel control. Therefore, Syria cannot on any grounds offer an objection to this type of work,

any more than could Israel protest against projects of a similar nature being performed by Syria in territory under its control. It must be further pointed out that the draining of these marshes will be equally advantageous to Syria from a sanitary point of view. In completing this project, Israel will have contributed to the malaria control of the area.

"c. Construction of Dam

The construction of a dam at the south end of Lake Hula to lessen the flow into the Jordan River has resulted in a slight rise in the level of the lake with some flooding of Arab lands in the vicinity of Ein Tinna. While this flooding approximates that which would occur during a normal rainy season, nevertheless this water will not recede in due course. This flooding, therefore, is an obstacle in the return to normal civilian life of the inhabitants of the demilitarized zone. This is a violation of article V, paragraph 2, of the Armistice Agreement.

"d. Work Within the Demilitarized Zone

At the present time, Israelis are performing work within the central sector of the demilitarized zone preparatory to straightening and deepening the Jordan River. A road has been cut through Arab lands, against the will of land owners. The Israelis contend that they are exercising rights under a concession originally granted by the Imperial Ottoman Government in 1914 and transferred to the Palestine Land Development Company Limited in 1931. Whereas a Mandate Government Ordinance in 1938 gave undisturbed rights to the concessionaires in the areas known as the 'Unreserved Concession Area', it does not follow that these rights granted under the Mandate Government, which no longer exists, still hold good.

The demilitarized zone created by the Armistice Agreement was defined with a view toward separating the armed forces of both Parties while providing for the *gradual restoration of normal civilian life in the area of the demilitarized zone*. The Chairman of the Mixed Armistice Commission was charged with the responsibility of ensuring that the provisions of the Armistice Agreement with respect to the demilitarized zone were implemented. It follows that neither Party to the Armistice Agreement therefore enjoys rights of sovereignty within the demilitarized zone. Any laws, regulations or ordinances in force prior to the Armistice Agreement which affected any areas included in the demilitarized zone are null and void. Therefore, the concessionaires do not enjoy the right to expropriate lands or buildings, to occupy lands temporarily or to force the owners of lands to accept compensation. There is no law of expropriation within the demilitarized zone. Any occupancy of lands either temporary or permanent, without the full consent of the land owners is a hindrance to the restoration of normal civilian life in the demilitarized zone, and a violation of article V, paragraph 2, of the Armistice Agreement.

"B. Until such time as a mutual agreement is reached between the Governments of Syria and Israel, with respect to the work now being conducted in the demilitarized zone in connection with the drainage of the Lake Hula marshes, the Palestine Land Development Company or any successors are, in the opinion of the Chief of Staff, not justified in continuing such work.

"C. In the opinion of the Chief of Staff, the Palestine Land Development Company Limited should be instructed forthwith to cease all operations within the demilitarized zone, until such time as a mutual agreement is arranged through the Chairman between Syria and Israel for continuing this project.

(Sgd.) W. E. RILEY,
Major General, USMC."

Note: The United Nations Chief of Staff now believes that his memorandum should have stated that any laws, regulations or ordinances in force prior to the Armistice Agreement which affected any areas included in the demilitarized zone, "are held in abeyance", instead of "are null and void".

4. At the meeting of 7 March 1951, the Israel delegation contended that the Syrian-Israel Mixed Armistice Commission had invited the United Nations Chief of Staff to express an opinion whether the work being done by Israel was a contravention of article II of the General Armistice Agreement or not. It was not

In order for him to go outside the scope of the request as he had done in his memorandum. The Israel delegation charged the United Nations Chief of Staff with assuming prerogatives in the demilitarized zones which were not given to him under the General Armistice Agreement. The Israel delegation maintained that Israel was determined to uphold her sovereignty in the demilitarized zone except insofar as it was limited by the terms of the General Armistice Agreement.

6. The Syrian delegation stressed that it would have been improper for the United Nations Chief of Staff to express an opinion on one aspect of the problem only. He was within his rights to advise the Syrian-Israel Mixed Armistice Commission on all aspects of the problem. The Syrian delegation called on the Commission to vote on the Syrian delegation's complaint. However, it was mutually agreed to postpone the vote for twenty-four hours to permit the Israel delegation to study further the memorandum from the United Nations Chief of Staff and the position taken by the Syrian delegation.

6. Three hours before the time set for the meeting on 8 March 1951, the Chairman of the Syrian-Israel Mixed Armistice Commission received the following message from the Israel deputy Chief of Staff:

"I am instructed by my Government to inform you that, having heard the report of yesterday's meeting of the Syrian-Israel Mixed Armistice Commission, it considers that the questions raised and the memorandum submitted by General Riley calls for careful consideration. I have, therefore, instructed our delegation not to attend tonight's meeting of the Syrian-Israel Mixed Armistice Commission, which will have to be postponed."

The message added the Israel delegation would inform the Chairman of the date on which it could take part in a meeting of the Syrian-Israel Mixed Armistice Commission.

7. This message was communicated to the Syrian delegation which replied on the same day as follows:

"a. Since the meeting of the Syrian-Israel Mixed Armistice Commission set for 8 March 1951 was mutually agreed upon, the postponement requested by the Israel delegation constitutes a very dangerous precedent. This action gives the important problem under discussion a sense of gravity which might impede the smooth working of the Syrian-Israel Mixed Armistice Commission in the future.

"b. The Syrian delegation protests against the delay caused by the Israel delegation in the Syrian-Israel Mixed Armistice Commission taking a decision on the question of Lake Hula. The Syrian delegation requests the intervention of the United Nations Chief of Staff, Truce Supervision Organization, in order that the Israel work now in progress in the demilitarized zone be stopped immediately."

8. On 10 March 1951, the Chairman of the Syrian-Israel Mixed Armistice Commission requested the Israel delegation to ensure that instructions are issued in order that Israel works on Arab-owned lands in the demilitarized zone be stopped until action has been taken by the Syrian-Israel Mixed Armistice Commission. To date, the Israel authorities have ignored the request of the Chairman to cease work on this project within the demilitarized zone.

9. Paragraphs 1 to 8 refer to matters which occurred after the ninety-day period from 17 November to 17 February. These details are included in this report in view of the importance attached to the Lake Hula problem by the Israel and Syrian delegations.

W. E. RILEY,

Major General, U. S. Marine Corps,
United Nations Chief of Staff of the Truce Supervision Organization.

JERUSALEM, 19 March 1951.

THE MUTUAL SECURITY PROGRAM

SATURDAY, JULY 21, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding. Chairman RICHARDS. The committee will come to order, please.

Assistant Secretary of State McGhee will continue his testimony. Mr. McGhee, I want to apologize for not being here when you and the admiral finished yesterday, but you know what the situation was on the floor of the House at that time.

STATEMENT OF HON. GEORGE C. MCGHEE, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN, SOUTH ASIAN, AND AFRICAN AFFAIRS

Mr. MCGHEE. Yes, sir.

Chairman RICHARDS. I believe we were continuing with the questioning. Are there any members who have further questions to ask of the Assistant Secretary? If so, do not hesitate to ask them. Mr. Smith.

(Off-the-record discussion between Mr. Smith and Mr. McGhee followed at this point. The following was submitted for inclusion in the record:)

Industry and labor projects for fiscal 1952 Arab States and Israel

(In thousands)

	United States cost	Local cost	Grand total
Egypt:			
Experts (7) and trainees (19) for social security administration.....	\$166	\$70	\$236
Experts (2) and trainees (8) for labor welfare.....	43	42	90
Experts (6) for surveys canning, citrus fruit and refrigeration industries, and grain silos.....	43	43	96
Total Egypt.....	262	160	422
Iraq:			
Experts (5), trainees (4), and testing equipment for tanneries, fruit canning, textiles, construction, and chemistry.....	150	100	250
Experts (4) and trainees (3) for social security, labor welfare, and village services.....	75	30	115
Total Iraq.....	225	130	365
Jordan:			
Experts (4) for industrial development staff of Ministry of Agriculture.....	43	32	80
Experts (3) and equipment for survey of phosphate fertilizer and ground phosphate rock production.....	100	100	200
Experts (3) and trainees (13) for social welfare.....	100	25	125
Total Jordan.....	243	157	406

Industry and labor projects for fiscal 1952 Arab States and Israel—Continued

(In thousands)

	United States cost	Local cost	Grand total
Lebanon: Experts (6), trainees (6), equipment for community development, including alum areas	\$115	\$25	\$140
Saudi Arabia			
Syria:			
Experts (10), trainees (15), and training material for social security administration	200	50	250
Experts (6), trainees (7), and cement plant (CAF basis)	2,500	2,000	4,500
Total Syria	2,700	2,050	4,750
Yemen			
Total Arab States	3,560	2,522	6,082
Israel:			
Experts (2) and trainees (4) for vocational training	41	26	70
Experts (2) and supplies for survey of bituminous limestone	74	26	100
50,000-kilowatt generating unit with auxiliary equipment and transmission lines	4,600	2,150	6,750
Experts (6), trainees (20), and training materials for social and community welfare programs	200	110	310
Total Israel	4,915	2,312	7,220
Total Israel and Arab States	8,475	4,834	13,312

Mr. SMITH. What I would like to get is what money we have advanced by way of loan or grant to Israel and to the Arab States.

Have we given anything to the Arab States at all?

Mr. MCGHEE. No, sir; only under the point 4 program.

Mr. SMITH. What does that amount to as of this day?

(The following information is supplied for the record in answer to Mr. Smith's question.)

Summary of point 4 authorizations in fiscal 1951 to near eastern and independent African countries

Arab States:	
Egypt	\$146,964
Iraq	28,551
Jordan	138,598
Lebanon	112,868
Saudi Arabia	97,300
Syria	88,140
Yemen	
Total Arab States	612,421
Israel	98,747
Iran	1,646,017
Independent Africa:	
Ethiopia and Eritrea	50,000
Liberia	838,820
Libya	166,850
Total Independent Africa	1,045,670
Regional projects	628,806
Grand total	4,031,661

Authorizations

EGYPT

[General agreement: May 5, 1951. TCO—Frederick Sacksted et]

Projects	Amount	Technicians	
		Authorized	In field
Rural improvement program—rural centers and related public services, request No. 1.....	\$12,722	3	2
Housing—building materials development, contract with Arthur D. Little, Inc.....	20,000	Contract	.....
Agriculture.....	100	4	0
Training grants for 32 (mechanical engineering, 1; social services, 16; geological survey, 2; mining and metallurgy, 2; government accounting, 1; and agriculture 10).....	72,044	Trainees	.....
Leader grants for 24.....	42,098	.....	.....
Total.....	146,964	7	2

IRAQ

[General agreement: Signed Apr. 10, 1951. TCO—Authorized]

Member development board—general economic development.....	\$9,190	1	1
Maternal and child health expert.....	4,771	1	0
Training grant in engineering.....	2,246	.....	.....
Leader grants for 4.....	12,349	.....	.....
Total.....	28,556	2	1

JORDAN

[General Agreement: Signed Feb. 27, 1951. TCO—None authorized]

Village water supply—contract (and equipment procurement) for survey and for cleaning, repairing, and building of cisterns and reservoirs.....	\$127,340	Contract	.....
Central Government laboratory, establishment of and assignment of technicians to.....	(?)	.....	.....
Training grants for 2 in public health.....	8,258	.....	.....
Leader grant for 1.....	3,000	.....	.....
Total.....	138,598	.....	.....

LEBANON

[General agreement: Signed May 29, 1951. TCO—None authorized]

River valley development—Mission to investigate possibility and means of developing Litani River Basin, request No. 1.....	\$45,000	12	10
Agricultural development—Extension, education, production and marketing, request No. 3.....	11,000	8	0
Training grants in agriculture for 13, request No. 4.....	47,240	(10)	.....
Training grants in civil aviation for 6, request No. 5.....	10,100	(10)	.....
Leader grants for 3.....	8,928	.....	.....
Total.....	122,268	20	10

¹ Originally authorized \$130,000; reduced to \$12,722 as amount to be obligated by end of fiscal year.
² \$34,025 for laboratory and \$416 for technician authorized but not obligated by end of fiscal year, hence withdrawn.

³ Reduced in June from \$66,400.

⁴ Initial phase completed; all but 2 technicians returning United States end of June.

⁵ Reduced in June from \$78,750.

⁶ Trainees.

THE MUTUAL SECURITY PROGRAM

Authorizations—Continued

SAUDI ARABIA

(General agreement: Signed Jan. 17, 1951. TCO—None authorized)

Projects	Amount	Technicians	
		Authorized	In field
Ground water survey—country-wide.....	\$34,100	Contract	2
Supplemental aerial survey on water and agricultural potential.....	55,000		
Government finance—services of 3 advisers to Ministry of Finance on customs, budget and accounting, currency and coinage.....	(1)		
Leader grants for 2.....	6,200	5	0
Total.....	97,300	7	2

SYRIA

(General Agreement: Not signed. TCO—Authorized)

Rural improvement—contract with Near East Foundation.....	\$88,140		
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YEMEN

(General agreement: Under negotiation. TCO—None authorized)

None.

ISRAEL

(General Agreement: Signed Feb. 26, 1951. TCO—Authorized)

Contract with Unitarian Service Committee, Inc.: Health education.....	\$35,000	Contract	
One road construction expert, request No. 2.....	(7)		
Survey on development of potash, limestone, etc.....	4,950	Trainees	1
Training grants for 29 people.....	48,845		
Leader grants for 4.....	11,832		
Total.....	98,747	1	1

IRAN

(General agreement: None contemplated.⁸ TCO—Authorized; Jack Neale, acting (in Tehran))

Labor—Expert in apprenticeship training.....	\$12,500	Contract	1
Near East Foundation grant for rural development.....	297,000		
Road development.....	(10)	Contract	
Locust program.....	243,000		
Malaria campaign.....	310,000	Supplies	7
Rural improvement—Demonstration and training ¹¹	637,207		
Training grants for 19 (agriculture, 7; public health, 10; meteorology, 1; industry, 1).....	82,310	Trainees	
Leader grants for 20.....	64,000		
Total.....	1,648,017	28	8

⁸ Funds withdrawn.⁹ No funds required this fiscal year.¹⁰ Agriculture, 3; electrical engineer, 1; industrial training, 3; minerals and industry, 6; public health, 4; railroads, 1; recreation, 1; and shipping, 5 (total 29).¹¹ First project agreement signed Oct. 19, 1950.¹² Funds withdrawn.¹³ Personnel involved are authorized under "Rural Improvement project."¹⁴ Subproject authorizations issued to NEA (\$286,300), Department of Agriculture (\$60,000), USPHS (\$51,307), Brigham Young University (\$68,000), University of Utah (\$65,000), and Utah State Agricultural College (\$100,000).

ERITREA

(General agreement: Signed June 15, 1951. TCO—None contemplated)

Agricultural extension and demonstration—service grant (Eritrean-American Technical Assistance Service), \$50,000.

Authorizations—Continued

LIBERIA

General agreement: Signed Dec. 22, 1950 (also agreement on Joint Commission Dec. 22, 1950). TCO—Reed Hill (in Monrovia)

Projects	Amount	Technicians	
		Authorized	In field
A general economic development project for Liberia was approved; authorizations for components include the following:			
FSA:			
Public health mission	\$127,100	19	7
Regional research program on tropical diseases in conjunction with Liberian Institute of the American Foundation for Tropical Medicine, Inc.	50,000	3	2
Educational consultant	3,200	1	1
Education: Grant to Booker Washington Institute of Liberia, Inc.	40,000	Contract	
USDA: Agricultural program	44,000		
Coast and Geodetic Survey: Preliminary survey	1,500	13	3
Preliminary work on aerial mapping for proposed survey	1,000	(1)	Completed (1)
Housing: 2 technicians	(1)	2	0
Hydroelectric power and port development	(1)	2	0
Contract for aerial photography and mapping with Aero Survey Corp., Philadelphia	150,000	Contract	
Program operations, supplies, equipment, etc. (includes members of United States Economics Mission)	295,000		
Training grants for 12 in public health (4 in United States and 8 in Africa)	15,000	13	7
Leader grants for 4:	11,420	Trainees	
Total	838,820	54	20

LIBYA

(General agreement: Signed June 15, 1951. TCO—Authorized (Consul General Lynch, Acting))

Water Resources Survey in Tripolitania	\$4,100	1	1
Grant to Libyan-American Technical Assistant Service (Agricultural extension, demonstration, and training)	150,000	.....	.....
Leader grant for 1	2,750	.....	.....
Total	156,850	1	1

NEAR EAST REGIONAL PROJECTS

Federal Security—Public Health Service to review needs and arrange terms of contract with American University of Beirut	\$4,506	1	1
Contract for regional training program in public health, public administration, economics, and agriculture at American University of Beirut	624,000	Contract	.....
Regional labor consultant	300	1	.....
Total	628,806	2	1

¹¹ Work to be done in United States.

¹² Funds withdrawn in June.

Mr. McGHEE. Mr. Smith, previously we have made no United States loans to the Arab states except for a small Export-Import Bank loan to Egypt, \$7½ million, and a loan to Saudi Arabia. There was one loan to Saudi Arabia of \$15 million, I believe, which was completed and a new loan to Saudi Arabia which has yet to be drawn upon.

We have made loans aggregating \$135 million to Israel, of which \$85 million has so far been spent.

Mrs. BOLTON. You say the loan to Saudi Arabia is finished. Has it been paid back?

Mr. McGHEE. No; it has been drawn down, but not paid back.

Mrs. BOLTON. There is a self-liquidating process?

Mr. McGHEE. Yes. In that case the oil royalties were used as the collateral for the loan. That was not true of the second loan to Saudi Arabia.

Mrs. BOLTON. What is the second loan?

Mr. McGHEE. We have negotiated a new loan. It is a straight Export-Import Bank loan.

Mr. SMITH. Do I understand the \$135 million to Israel has been in the nature of a loan?

Mr. McGHEE. Yes, sir. It is a normal Export-Import Bank loan for agricultural and other development purposes.

Mr. Chairman, I have some data on the status of Export-Import Bank and International Bank for Reconstruction and Development loans which I should like to have placed in the record.

Chairman RICHARDS. Without objection, the material will be included in the record.

(The material referred to is as follows:)

Banks loans (July 1, 1946-Dec. 31, 1950) Near East and Independent Countries of Northern Africa

(Millions United States dollars)

	Net loaned ¹	Disbursed	Not yet disbursed	Principal outstanding on loans ²
Iran:				
Eximbank.....	23.0	0	23.0	0
IBRD.....	0	0	0	0
Iraq:				
Eximbank.....	0	0	0	0
IBRD.....	12.8	0	12.8	0
Israel:				
Eximbank.....	135	55.7	79.3	55.7
IBRD.....	0	0	0	0
Saudi Arabia:				
Eximbank.....	29	12.3	16.7	9.3
IBRD.....	0	0	0	0.0
Egypt:				
Eximbank.....	7.25	7.25	0	7.25
IBRD.....	0	0	0	0
Ethiopia:				
Eximbank.....	3	2.5	0.5	2.5
IBRD.....	7	0	7	0
Liberia:				
Eximbank.....	4	3.8	0.2	3.8
IBRD.....	0	0	0	0
Total Near East and independent countries of northern Africa:				
Eximbank.....	203.25	81.55	121.7	78.55
IBRD.....	12.8	0	12.8	0

¹ Net borrowed represents the amount of total credits authorized less the total amounts of the credits which were either canceled or were not used before the expiration date of availability.

² In reality, as soon as a loan becomes effective IBRD considers the total amount of the loan as "Loans Outstanding Held by the Bank" regardless of the undisbursed balance of the loan. However the figure used here is the total amount of the loan disbursed less any repayments on principal.

(Off the record discussion between Mr. Smith and Mr. McGhee followed at this point.)

Chairman RICHARDS. Are there other questions? Mr. Secretary, if there are any particular points that you think you should touch on, please do so. We will be glad to have you give us any additional information that you feel we should have before we get to the admiral.

(Discussion off the record.)

Chairman RICHARDS. Mr. Secretary, when Mr. Nathan was up here I asked that very question. He was talking about the great

number of refugees they had to absorb. How many has Israel had to absorb?

Mr. McGHEE. Mr. Chairman, the total number of Jewish people that have come to Israel, since the Balfour Declaration of 1917, is about 1,200,000. The total number that came last year is around 200,000.

Chairman RICHARDS. Could you class all those as refugees that could not be taken care of somewhere else?

Mr. McGHEE. This is, of course, a complicated question. Many of these people come from countries where they have lived for 1,000 or 2,000 years as a minority group. They may have received discriminatory treatment there from the majority groups. In the light of the Jewish aspirations this transfer to Israel is a desirable thing.

It is true, of course, that many of them have come from situations that have been relatively static for a number of years. In some cases there may not be the sense of urgency that existed and still exists in the case of refugees from Europe. I think the refugees from Eastern Europe have been considered to represent a particularly urgent case, because it has been felt that the doors were closing. The Jewish people, who were being discriminated against, were thought to have little time left during which they could get out.

Chairman RICHARDS. The sense of some of that testimony was that there was an obligation on somebody, possibly the United States, due to the fact that we followed the custom of having to contribute to them if they had been somewhere else.

I asked if you would not have to subtract from that obligation the displaced refugees who had to go somewhere else.

How many displaced were there?

Mr. McGHEE. There are 800,000 displaced persons who have entered Israel since World War II. The number of Arabs displaced is almost precisely the number of Jewish people who have entered Israel since the war.

Chairman RICHARDS. That is the group that we are contributing the \$50 million to in just 1 year?

Mr. McGHEE. That is correct. Of course, Mr. Chairman, we have contributed very generously to the IRO. We have also accepted into this country a large number of people of refugee status.

Mr. BURLISON. May I ask a question right there?

Chairman RICHARDS. Yes.

(Discussion off the record.)

Chairman RICHARDS. Are there any other questions?

Mrs. BOLTON. I have a number, Mr. Chairman.

Chairman RICHARDS. We will be delighted to have your questions.

Mrs. BOLTON. On the water situation, Mr. Secretary, which is so important to the life of the entire region. What is happening to the over-all major plan which the Israelis seem to take as a matter of course. What of the Tigris-Euphrates project. Can that not be expedited a little. And what of the Arab Development Co. which I think is in Palestine, is it not?

Mr. McGHEE. The Musa Alami project?

Mrs. BOLTON. Yes, Mr. Secretary. Over here we are always hearing that the Arabs do not know how to farm, when in reality they have farmed longer than the Israelis and are by nature agrarian, probably

having forgotten more than the Jews, especially those who have come in the last years, have ever known.

This particular project is wholly Arab. They are putting in their irrigation. They have a first cotton crop. They have tobacco, vegetables, fruit, and so forth.

The money for assistance to these courageous people should be found. The Arabs do not have an Arab constituency over here to send it millions of dollars.

Chairman RICHARDS. Will you yield for a question?

Mrs. BOLTON. Yes.

Chairman RICHARDS. I do not get it. You have been over there and I have not. Do you mean there is a dam project?

Mrs. BOLTON. Yes.

Chairman RICHARDS. You mean it will cut off the natural flow?

Mrs. BOLTON. Yes, Mr. Chairman. It is very simple for the Secretary to give us that because it has been in the plans of the Israelis for a great many years and the Zionist group.

The original plan, as I saw it laid out on a table like this in a raised map, would take the water of the Litani River up in Lebanon and take it down here.

Chairman RICHARDS. Will it do that, Mr. Secretary?

Mr. McGEHEE. Mr. Chairman, there was a plan devised by Mr. Hayes, who is one of our outstanding water experts, and elaborated on by Mr. Lowdermilk, one of our greatest conservationists, which involved a rationale of the use of the water of this entire area.

This plan was formulated in the period before partition, at which time I assume it was considered possible that cooperation could be achieved between the states of the area in the implementation of an over-all plan for the use of the water resources of the area.

The State of Israel does not extend to the Litani River, and there is no way in which Israel could utilize the waters of the Litani River except in agreement with Lebanon. I think the existence of the plan does not in any way indicate that Lebanon is in danger.

Lebanon is proceeding under point 4 with a Litani power survey. The Lebanese have made clear their wish to develop this river for the benefit of the Lebanese.

Mr. Hayes and Mr. Lowdermilk have also projected a very ambitious water development project for the Jordan Valley. It involves a cost of a quarter of a billion dollars. It involves cooperation on both sides, which would not now be possible. You could not get such cooperation between Jordan, Syria, and Israel.

I think you will have to consider that the Jordan River plan is in abeyance because of this political impasse.

The Ghab swamp project is different. No one questions the desirability of that project.

As for the Huleh incident, that is a complex matter under consideration by the United Nations. The Security Council's resolution did not look to stopping the project. The Council stated that the rights of the Arab landowners should be taken into consideration, and that the Chairman of the Mixed Armistice Commission should arrange suitable compensation for their land.

When the Chairman of the Armistice Commission can make suitable arrangements with the landowners, it is assumed that the

Israelis will continue the draining of the swamp, which will bring into cultivation about 15,000 acres.

Mrs. BOLTON. May I interrupt you at that point? There is a great deal of suspicion on the part of the Arabs, which may be justified or not, in the matter of that water.

They do not consider it simply "a matter of seven acres of land" as the Secretary does. It is a matter of a whole program and an attitude of mind.

Mr. MCGHEE. The Arabs feel that it will change the strategic character of the territory at the frontier and give the Israelis a military advantage.

Mrs. BOLTON. I am in complete agreement with you, and with everybody who is considering this difficult situation, that the matter of cooperation is one of the most important things that could possibly be worked out.

I confess I am not very optimistic about it. And I think any too great urge to force cooperation upon the Arabs might well start something that would be hard to control.

Mr. Secretary, how socialistic is the set-up in Israel? The farms that we saw out there are set up as purely communal, not Communist farms.

The elected committee arranges the work daily for everybody. Nobody does as he pleases. He does as he is told. When we were there the children were in one area; the grown people were in another, and so on. There was no money used at all. Is that being continued?

Mr. MCGHEE. Yes, indeed. The kibbutzim are being expanded in numbers.

Mrs. BOLTON. When we left this side we understood that this was to be a religious movement. When we got there we inquired about the temples and inquired about the rabbis, and there were not any.

We were told in words of one syllable that we should understand them better than that. It was purely a commercial venture.

Mr. MCGHEE. That is an economic-social basis.

Mrs. BOLTON. I think there has been a good deal of confusion in some of the minds of our church people in the matter.

Mr. MCGHEE. You raise the question of the Israeli Government. Mr. Ben Gurion's party is, I believe, roughly the equivalent of the Labor Party in England. I think there is a strong analogy between them.

Mr. Ben Gurion's party does not have a majority, but governs with a coalition.

Mrs. BOLTON. How much representation do the Revisionists have in the Government?

Mr. MCGHEE. I should know that. I do not, frankly. We will get the information for you.

Mrs. BOLTON. Would you do that?

Mr. MCGHEE. Yes.

(The following information is supplied for the record:)

REVISIONISTS IN THE ISRAELI GOVERNMENT

Revisionists in the Israeli Government.—In the last general election the Heruth Party, successors to the Revisionists, received a total of 49,000 votes, or 11.3 percent of the electorate and gained a total of 14 members who sit in the present parliament. It should be noted that new general elections will be held the last of this month.

In domestic policy the Heruth Party favors private enterprise and is generally classed on the extreme right. Militarily, they favor an expansion of Israel's present borders and they specifically include the present state of Jordan in their irredentist claims.

In the past Revisionist leaders have included in the prospective program a Jewish territory extending from the Mediterranean to the Euphrates.

Mrs. BOLTON. I would like to know also what is the status of the Revisionists?

Mr. VORYS. What are they?

Mrs. BOLTON. They are a group that came down into Palestine from Europe under Jabotinsky. They were really the Irgun and were violently against partition. Indeed, they have not accepted it and say they never will. They want everything from the Tigris to the Red Sea.

Mr. VORYS. Will the gentlewoman yield?

Mrs. BOLTON. Yes.

Mr. VORYS. Does the word "Revisionists" mean revision of the partition; is that it?

Mrs. BOLTON. I could not tell you.

Mr. McGHEE. I only know there is a group which has semi-imperialist views. It is a minority group.

Mrs. BOLTON. They are a violent group and they are a willful group at certain times. I have understood they have never been in the good graces of the Zionists over here. They were given no opportunities among the Zionists, and were shut off from contacts at every point.

I have some questions on the refugees, Mr. McGhee, which I thought perhaps I had better hand in to you so that we might have details on them and not attempt to go into it in this fashion.

Mrs. BOLTON. Thank you, Mr. Chairman, for your patience.

Chairman RICHARDS. Thank you, Mrs. Bolton. Are there any other questions?

(Discussion off the record.)

Chairman RICHARDS. Yes, but the difference is you have an area here that has been arrayed against the Christian area for hundreds and hundreds of years. So far as those people are concerned, they could easily shrug their shoulders and say "We have been going along this way for 2,000 years. We are going to go along and do the same." You cannot do there what we are doing in Europe, and we are not doing it in Europe.

Mr. VORYS. Could we do in that area what we are not doing for Europe?

Chairman RICHARDS. No.

Mr. VORYS. We do not have any obligation to go in there; no tradition or obligation.

Chairman RICHARDS. We have an obligation to protect the security of the United States, and that is the issue, as to whether or not we go there on that basis.

Mr. REECE. Do you not think, Mr. Chairman, that the failure of the free countries to show a united front probably has had far-reaching effects in the Far East? It would seem to me as if there is a very considerable probability that because England and the other countries showed a disposition to be easy with Red China, they gave Russia a justifiable basis for feeling that if the Communists moved into that conflict, that they might split us. I have serious doubts whether the Communists would have ever gotten into this thing in the Far East

if England and India, particularly, had stood up and toed the chalk line.

Chairman RICHARDS. I think you have something there.

Mr. McGHEE. Mr. Chairman, may I make a comment? I would like to comment on Mr. Vory's point about conditions of aid.

Experience in the Southeast Asian countries in the STEM programs, I think, has been that with countries who are so self-conscious about their newly won independence, you cannot exact all the conditions we were able to in Europe. Of course, Mr. Vorys said we did not exact it in Europe.

Mr. VORYS. Will the gentleman yield?

Mr. McGHEE. Yes, sir.

Mr. VORYS. That is certainly a dandy dilemma you bring up, that with regard to old countries they have such old rivalries and prejudices that you cannot exact any conditions there; but for new countries they are so self-conscious that we cannot do anything there either. So, therefore, all we can do is piddle our money and resources away and hope.

Go ahead.

Chairman RICHARDS. I want to state right here that this debate is mighty fine, and we are going to have some more of it later.

We have a witness with us, Admiral Duncan, who came up here and left his ship yesterday, and left it again this morning. We would like to hear him.

I do not want to string this testimony out too much. I thought this was winding up. We are enjoying the factual and very informative testimony of the Secretary.

Mr. McGHEE. May I finish this one point, Mr. Chairman? I believe Mr. Porter testified before your committee earlier that when he did not think the Greeks were complying with certain reasonable conditions he took away \$30,000,000. In my judgment the real way to get cooperation from the recipient country is to put in a good administrator and, if the conditions he thinks proper are not met, for him to hold up the money.

But, to insist on elaborate conditions in advance, with new States that are so sensitive, would work against the objectives we seek.

Chairman RICHARDS. I would like to make the statement that Mr. Vorys is a Yale man. I do not know anything worse, unless it is a Harvard man.

Mr. VORYS. Both Mr. McGhee and the chairman are mildly satisfactory witnesses on the Near East.

Chairman RICHARDS. I think we will call upon Admiral Duncan, who has been before us a few times. If you have any other statements to add, Mr. Secretary, without objection that may be done.

Mr. McGHEE. Thank you, Mr. Chairman. It is a pleasure to be before you.

Chairman RICHARDS. Admiral Duncan.

**STATEMENT OF ADMIRAL DONALD B. DUNCAN, DEPUTY CHIEF
NAVAL OPERATIONS (OPERATIONS)**

Admiral DUNCAN. Good morning, Mr. Chairman.

Chairman RICHARDS. How do you do, Admiral?

Ladies and gentlemen, the next witness is Admiral Donald B. Duncan, Deputy Chief of Naval Operations.

Admiral, have you a prepared statement that you would like to present or read for the record?

Admiral DUNCAN. Mr. Chairman, I have one that was prepared before Admiral Sherman left for Europe.

Chairman RICHARDS. You are substituting for Admiral Sherman?

Admiral DUNCAN. Yes. He asked me if I would present his statement to the committee, and he also asked me to say that he was very much disappointed about not being able to come up himself to be heard this week. I know the committee shares his disappointment, because from personal observation and contact the Admiral probably knows more about this area that you are considering than any of us.

With your permission, I will read his statement.

Chairman RICHARDS. You may proceed.

Admiral DUNCAN. I welcome this opportunity to appear before you and submit my estimate of the strategic importance of the Eastern Mediterranean and Middle East. I consider that this has a direct bearing on the necessity for the proposed legislation which you are now considering. The purpose of this legislation is "to promote the foreign policy and provide for the defense and general welfare of the United States by furnishing assistance to friendly nations in the interests of international security." The legislation proposes a continuance and extension of military and economic assistance to this area, which I strongly endorse for the double purpose of increasing the ability of these countries to resist internal subversion and to strengthen them as highly necessary allies in a possible general war.

The creation and the maintenance of political and economic instability is a basic tactic of forces which oppose us. Those forces infiltrate—subvert, seeking to create conditions which will lead to political capitulation or to facile armed conquest.

Our interests are many in the countries bordering on the eastern Mediterranean and in other countries close by. We have a cultural and moral interest in the welfare of the many millions who inhabit the area. We need them as our friends.

It is to our advantage to strengthen existing bonds of friendship in the Middle East. These nations of the Middle East are sufficiently important to cause us to help improve their economic and political stature and strengthen their will to resist aggression. In my opinion, we should take all reasonable steps toward the creation and maintenance of political and economic stability in that general area. One essential requisite to this end continues to be the provision of that military equipment and technical military advice and training which will enable these nations to entertain a reasonable hope of successfully defending themselves.

It is primarily our military interest that I wish to emphasize. The military importance of the Middle East has been testified to for centuries by the campaigns fought there. It has been, and is, the scene

of great political and economic pressures. It is the gateway to the riches of Southern Asia by land and by sea and the connecting link between east and west. I regard the strategic importance of the eastern Mediterranean and Middle East as comparable to that of the North Atlantic Treaty area itself, as related to efforts to resist world-wide Communist encroachment. In that area lie tremendous oil resources which the free world requires now for its greatly expanded rearmament effort, and which would be essential for the effective prosecution of a general war. Conversely, these oil resources would be a tremendous asset to the Communists in waging a prolonged general conflict.

In addition to these large resources of oil, the area possesses a high degree of strategic importance because of its geographical situation. This area involves three continents and controls critical land, sea, and air communications. If war should come, the free nations must be able to control these communications and deny them to the enemy.

Today, we plan to defend Western Europe in case of attack. The practicability of execution of such plans is increasing each day as the free nations augment their total military potential. As our strength and that of our allies in Western Europe increases, it becomes more practicable to plan for a defense of the Middle East which will insure, as a minimum, a continuous flow of oil to the Western World from that area and a denial of this resource to those hostile to us.

The critical sea communications of the eastern Mediterranean and Middle East extend westward through the Mediterranean to Western Europe and the Atlantic Ocean, and from the Turkish Straits and Southeastern Europe to Suez. Friendly control of the Turkish Straits would be an important factor toward insuring the continued use of the Mediterranean as a principal highway for allied combatant forces and commerce. As long as enemy naval forces cannot exit from the Black Sea, they cannot be effectively employed in the Mediterranean, nor can they render logistic support to such enemy land and air forces as might reach the shores of the Mediterranean. Retention of control of the Turkish Straits by our allies would be a great contribution to the security of General Eisenhower's southern flank.

I believe that the importance of safeguarding the Suez Canal is so obvious that I would not be justified in taking the time of this committee with further discussion.

The internal and external security of each of the nations of this area is critically important to the security of the Western World.

I believe that it is clear that a strong and resolute Turkey, ready and able to resist encroachments upon its sovereignty, is the key to a successful defense both of the Middle East and of the Mediterranean. The security of Greece is essential to the security of the Mediterranean and hence of north Africa. Both the Turks and the Greeks have proven themselves battle-worthy allies in Korea.

In Iran recent events indicate the dangers which face us in certain of these nations. Due to the unsettled and unstable conditions which prevail, and to the shifting external pressures which may be applied, I consider that our plans for aid to this area should permit administrative flexibility to meet the situation of the moment. Should the probable enemy gain control of Iran, the security of Turkey would be jeopardized, the defense of the vital straits area would be weakened, and even the Saudi Arabian oil fields would be placed in jeopardy. We

should continue our aid to Iran in order to encourage that country to resist subversion and to develop forces for its defense.

Behind the Turkish-Iranian barrier lie the Arab States and Israel. Through them flow a considerable part of the oil which is essential to Europe. There are base areas required for protection of essential sea and air communications, and for support of combat operations to the north.

The administration proposals regarding authorizations of funds for the countries of the area are set forth under title II of the legislation you are considering. The funds requested for military assistance to Greece, Turkey, and Iran are set forth under section 201. In order to give the desired administrative flexibility, which I referred to previously, it will be noted that section 202 would authorize the President to use not more than 10 percent of the funds to be authorized under section 201 for the purpose of granting military assistance to any other country of the Near East area. While these funds are not large, they will provide for essential training and much useful equipment. I recommend that the committee approve the proposals set forth under these two sections as measures necessary for the implementation of our national policy of furnishing assistance to friendly nations for increasing our collective security.

Under Public Law 329, Eighty-first Congress, and its amendments, over a quarter of a million measurement tons of military supplies and equipment have been shipped by the United States to Greece, Turkey, and Iran for the purpose of reequipping and modernizing their military forces. In addition, a number of badly needed combatant ships and aircraft have been provided and more are in the process of preparation for delivery. United States military personnel are maintained in the military assistance advisory groups stationed in these countries, to assist in training and in the proper use and maintenance of this equipment. As of the 1st of May, 2,285 military students from title II countries have been trained or are in training in United States service schools both in the United States and abroad.

In my opinion, these deliveries of equipment and this provision of training advice should be continued. I believe that this has been and will continue to be an essential contribution to the military security of this area and to that of the Western World.

Mr. Chairman, there are present other representatives and technical experts in this program who are available for detailed questioning. I myself will be glad to try to answer any of the questions that you or the members of your committee may have.

Chairman RICHARDS. Thank you very much, Admiral.

Will you state for the record why Admiral Sherman could not be here?

Admiral DUNCAN. Admiral Sherman is on a trip of about a week's duration to the European theater. I believe today he is in Naples for conferences with Admiral Carney. He has visited, as you know, in Spain and Paris and London.

Chairman RICHARDS. I will say for the information of the committee and the witness that we will proceed first under the 5-minute rule. Then we will have a period of unlimited questioning.

In my 5 minutes, I do not know who the man is responsible for handling this breakdown, but I would like to have a breakdown of the military students under title II—that is, the 2,285 students who

have been trained, or are now trained in the United States service schools.

Admiral DUNCAN. By countries?

Chairman RICHARDS. By countries. Can you give that now, please?

While that is being looked up, Admiral, what do you think about the importance of Spain in this program from a naval and military standpoint?

Admiral DUNCAN. From the military standpoint, I feel, and I think that view is generally shared by the military, that Spain is an important part of our picture of the defense of Europe. We favor the inclusion of Spain and association of Spain with the other countries who are involved in that effort. I think that is the general view.

It is important. It sticks out into the middle of the Atlantic area. It overlooks the gateway to the Mediterranean and is an important factor in the antisubmarine warfare. The necessity for that develops both in the Atlantic and in the Mediterranean.

Chairman RICHARDS. You said Spain was very important in the defense picture of Europe. Would you also say it was important with regard to North Africa and the Near East?

Admiral DUNCAN. Yes, sir. That is all a part of the general picture. We try to look on these things with a rather global view.

Chairman RICHARDS. Have you that breakdown, sir?

General SCOTT. Yes; I have.

Chairman RICHARDS. Will you please read it?

General SCOTT. It is rather detailed. Do you want to read it into the record?

Chairman RICHARDS. How many countries are involved?

General SCOTT. Greece, Turkey, and Iran. Three, Mr. Chairman.

Chairman RICHARDS. Will you read that for the record?

General SCOTT. This is for the 1950-51 program and the proposal for the 1952 program.

Chairman RICHARDS. All right.

General SCOTT. They are broken down between the zone of interior and overseas.

Chairman RICHARDS. I want to know just how many are in training (Discussion off the record.)

Chairman RICHARDS. Will you furnish a statement for the record showing the further breakdown as to Air Force, and so forth?

General SCOTT. I will do that.

(The material requested has been furnished for the executive session record.)

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. Admiral, there was a sentence you omitted from your statement that was contained in the one handed out. We are very happy to have you omit from your statement or shorten your statement, but I just wanted to read this and see whether it was omitted for brevity purposes or whether it is not so?

In addition, this area, under allied control, would provide the bases for offensive operations by which we could strike directly and quickly at the heart of the enemy.

Admiral DUNCAN. That was omitted because of this reason. This, I believe, should be off the record, Mr. Chairman.

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Admiral DUNCAN. Incidentally, I should have said this statement of Admiral Sherman's was left to me in a completed, but not edited form, and I took a few liberties with it myself yesterday. I think as printed by your committee it will appear in the form that I read.

Mr. VORYS. As you just gave it.

Admiral DUNCAN. Yes, sir.

Mr. VORYS. But the part of this area which would provide bases in Greece, Turkey, and Iran?

Admiral DUNCAN. Yes, sir; and possibly other areas in the Near East and Middle East. I am just speaking generally of the whole area.

Mr. VORYS. What I was wondering was of this 10 percent part, which countries would you contemplate might get any of this in the next year?

Admiral DUNCAN. Well, of course, that is dependent to some extent on the plans which are made by a Middle East command when that is set up. That would be a part of his operational plan as to where he puts his bases for defensive operations.

This is off the record.

(Discussion off the record.)

Chairman RICHARDS. The gentleman's time has expired. Mr. Hays.

Mr. HAYS. I would like to ask Mr. Vorys on what page was that deletion?

Mr. VORYS. Page 3.

Mr. HAYS. Beginning with what?

Mr. VORYS. The next to the last paragraph in the last sentence.

Mr. HAYS. That is all. Thank you.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Off the record for a minute.

(Discussion off the record.)

Chairman RICHARDS. The gentlewoman's time has expired.

Mrs. BOLTON. Off the record.

(Discussion off the record.)

Chairman RICHARDS. Mr. Lanham.

Mr. LANHAM. As a Harvard man, I "relents" as Andy would say, your comparison between the men of Yale and Harvard. Because I am a freshman on this committee I would not be capable of asking very many intelligent questions, so I am going to pass for this time.

Chairman RICHARDS. You stick around here a few weeks, Mr. Lanham, and you will be fully informed.

Mr. REECE. Do you think he ought to be an expert in 2 weeks?

Chairman RICHARDS. I do not know. It might take three. However, I do know the gentleman's facility for absorbing a lot of material in his work up here on the Hill. I am sure he is going to be above the average in that respect. I have known him for many years, and he is a hard worker and, even though a Harvard man, very intelligent.

Mr. Merrow.

Mr. MERROW. I pass.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. In your statement you referred to the strategic importance of this Middle East area and made reference to Turkey and Iran. It is of equal strategic importance to the Western European countries as to ourselves.

Admiral DUNCAN. That is right.

Mr. REECE. As you indicated, we are all in this situation together, and the responsibility of one is the responsibility of the other. I know it is discouraging when we see a situation come about where they do not recognize that equal responsibility.

As Mrs. Bolton said a while ago with reference to our furnishing arms, it is not only important what happens when an outbreak occurs, but it is equally important during the choosing-up time.

Does the feeling prevail that if there is pressure from communist sources, though exerted internally, but probably inspired from the outside, in Iran, that the Shah would ask for volunteer assistance from troops that might be available on some inoffensive basis, so as to enable him to resist the overthrow of his government? What is the feeling on that?

Admiral DUNCAN. I cannot say what would develop in that case, Mr. Reece, or whether the Shah would be inclined to ask for outside assistance. Those people have, from my limited observation, ways of settling their problems among themselves. I do not know whether they would ask for forces to come in there or not.

I believe British forces have been moved around in that area, and could be moved in quickly in case he asked for it to be done. I do not think that would be a decision that would have to be approved by all of the countries associated with Great Britain.

Mr. REECE. Based on your information you think it is more important that we maintain a stable government and have access to the oil by the free nations than it is to jeopardize our relationship over there by seeing to it that the contract between the British and Iran be maintained, that is, between Iran and the Anglo-Iranian Oil Co.?

Admiral DUNCAN. Of course, I am a little out of my field in answering the question.

Mr. REECE. You heard the question I asked yesterday on that line.

Admiral DUNCAN. You had the Assistant Secretary of State here for that, but for my money that would be a very fair statement.

Mr. REECE. That is all, Mr. Chairman.

Mr. MERROW. Mr. Chairman.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. If you have already answered or commented on this point, Admiral, I will get it from the record. Would you comment on how effective you think the Iranian fighting force might be in the event that there were an attempt to move in from the outside by a hostile power?

Admiral DUNCAN. I do not think there is any question but what they would have to have help. They have come quite a long way in setting up their military forces; but, when you compare them with what might come in there, of course, it is a very small effort indeed.

Mr. MERROW. It would be very difficult for them to hold for any length of time, I suppose?

Admiral DUNCAN. By themselves it would.

Mr. MERROW. Thank you. That is all.

Chairman RICHARDS. Are there any other questions?

Mr. VORYS. Yes.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. Admiral, as I understood it you said there was a possibility that if we had a Mediterranean command and they had a

plan and they had the authority, we might have small arms and bases in the Arab countries?

Admiral DUNCAN. No. My reference to small arms was in connection with the money which is proposed in this bill for use at the discretion of the President for Israel and the Arab States. As I understand it, if that were enacted we would utilize that money for the provision of small arms and light equipment, as well as the advice, and training, and so forth. As to the matter of bases—

Mr. VORYS. I did not mean bases. You said training?

Admiral DUNCAN. Training.

Mr. VORYS. That is what I want to get clear. You think some of this 10 percent of transfer might involve giving specifically, we will say, small arms to Israel, Jordan, and Syria, who have been at each other's throat?

Admiral DUNCAN. I think that would be involved. I think that is the plan. Perhaps General Scott and his assistants could give you more details about that. Of course, you mention their being at each other's throat. That is true. It is whose throat who gets ahold of, I guess, and it has been so a long time. But that getting at each other's throat is not confined to them alone.

However, the use of the equipment, and the use of the arms that are furnished to them, not only by us but by others as well, is all done subject to agreement and a full interchange of information between ourselves and, I believe, the French and the British.

In addition to the terms of the armistice over there we have some surveillance over those people. We have a United Nations party who is over there keeping an eye on it from their standpoint. To use the arms against each other, which are furnished for other purposes, would be a contravention of a great many very important and solemn agreements which we think are sufficient to prevent something like that from happening.

Again I defer to Mr. McGhee on that in that opinion.

Mr. VORYS. That is all, Mr. Chairman.

Chairman RICHARDS. Are there any other questions?

(No response.)

Chairman RICHARDS. Admiral, we appreciate your coming up very much.

Admiral DUNCAN. Thank you very much.

Chairman RICHARDS. I hope you will come up and see us again. The committee stands adjourned until 10 o'clock Monday morning next.

(Whereupon, at 11:55 a. m., the committee adjourned until 10 a. m. Monday, July 23, 1951.)

THE MUTUAL SECURITY PROGRAM

MONDAY, JULY 23, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. Mike Mansfield (acting chairman) presiding.

Mr. MANSFIELD (presiding). The committee will come to order. We have with us today Gen. William H. Arnold, Director, Joint American Military Mission for Assistance to Turkey, and Gen. Reuben Jenkins, former Chief of Joint United States Mission for Assistance to Greece.

General Arnold, will you and General Jenkins take these two seats?

General Arnold, if you will proceed with your statement, then I think we ought to hear General Jenkins afterwards, then let the witnesses be prepared to answer the questions of the committee.

Proceed in your own way, General.

STATEMENT OF GEN. WILLIAM H. ARNOLD, DIRECTOR, JOINT AMERICAN MILITARY MISSION FOR ASSISTANCE TO TURKEY

General ARNOLD. Mr. Chairman, I am honored to appear before your committee and to give you first-hand information pertaining to the status of the Military Assistance Aid Program in Turkey.

I am Maj. Gen. William H. Arnold, United States Army and I have been Chief of the Joint Military Mission for Aid to Turkey for the past year.

Ambassador Wadsworth, who is Chief of the Aid Mission to Turkey, and I collaborated in preparation of the statement which has already been submitted to the committee. I shall review this in your presence in order that you will have the opportunity to question me on any aspects of the subjects covered.

Our task has been and is to cooperate with the Turk defense establishment in its unflagging major effort to modernize and thereby to strengthen the Turkish armed forces—this to two primary ends: First, deterring aggression; and, second, if there be aggression, effective defense.

Our program has had and still has two major facets: equipment and training. In 4 years we have delivered substantial amounts of military equipment, from tanks, guns, aircraft, and submarines to medical supplies, radar, and jeeps.

And we have trained, directly, in newly organized Army, Navy and Air Force schools, over 25,000 officers and men in the use of that equipment.

Those trainees, too, have in turn passed on their new learning to many other thousands. In the equipment field, our motto has been "prompt delivery of those items which Turks can put to effective use"; in the training field, "teach Turks to teach other Turks."

The net result of this twofold program is that American military aid to Turkey has made a major balanced contribution toward modernizing and, consequently, materially strengthening the Turkish armed forces.

The prospect for the future is bright. There is no let-up in Turkish effort. Every million dollars spent in fiscal year 1952 will bring greater return, greater progress toward common-interest Turk-American objectives, than similar expenditures during earlier years. The program is, in short, dynamically productive. And our military mission is well organized for its important task.

Several Members of the Congress and representatives of the executive branch of the Government have visited Turkey during the past year. They have swelled the growing ranks of Americans who understand the strength that Turkey is capable of producing as an effective ally of western democracy.

Turkey, hard core of the old Ottoman Empire, is a relatively poor country. It is slightly larger than Texas. This year's census puts its population at 21,000,000. It is united, and its people are as one in their opposition both to the communistic infiltration and threat of Soviet domination.

Their determination to resist aggression is best illustrated by their own exertions. During the past several years, despite pressing need and desire for social improvements and economic development, the Turkish Government has consistently expended from 30 to 40 percent of its state budget for defense purposes.

This has been done to hold Turkey for the Turks and with no idea of external aggression. Although subjected to continuous and, at times, vicious Soviet pressures and propaganda, the Turks have not faltered or weakened in their spirit and determination. In fact, this solidarity of purpose against Soviet designs has increased, despite the fact that Turkey occupies a uniquely exposed position vis-à-vis the Soviets and their satellites. It has extensive common boundaries with the U. S. S. R. and Soviet-dominated Bulgaria.

Turkey has, too, by repeated actions, demonstrated her alinement with the principles of the United Nations and her friendship with the United States. The Turk contingent in Korea has again demonstrated dramatically the historic fighting ability of the race. Turkish representatives in the United Nations have consistently supported the principle of collective security. There has been no exception to their cooperation with the United States in the present world crisis.

I submit that these actions make the Turks conspicuously deserving of continued material, moral, and technical American assistance and support.

A sizable portion of ECA economic aid for fiscal year 1951 has been allotted to the support of projects contributing pointedly to the Turkish military effort and for which no provision has or can be made in the Turkish state budget without sacrifice of other more pressing current needs.

The amount, expressed as percentage of total military aid for end item equipment, is relatively small, but it serves a vital need which

could not otherwise be done. This action, too, I submit, points the increasing interrelationship of military and economic aid. The latter, I feel strongly, should be continued in the fiscal year 1952, because acceleration of the projects thus begun is vital to effective military preparedness.

The additional military equipment and materials and other items requested for the Turk armed forces in our over-all program have been carefully selected on the basis of minimum essential needs in order that Turkey can continue to present a major deterrent and obstacle to Soviet aggressive designs. There can be few, if any, other foreign positions of strength where wise expenditure of the American taxpayer's dollars can create so worthwhile a measure of security for the free world.

One point of general import I wish to add, though it may be self-evident. Those of us working with the Turks are ever mindful of the need for strength in Turkey and for strength in the United States. Within those premises, our recommendations reflect our best considered judgment.

As to the specific programs submitted by three service groups of Joint American Military Mission on Aid to Turkey for fiscal year 1952, we have assured ourselves that they are carefully pointed toward further implementation of long-range objectives in this area. On the country plane, they are designed, among other things, to assist Turkey in developing:

1. Better trained Army units, notably through intensified general training and the use of joint Turk-American field inspection-training teams.

2. Improved military transport, notably through adequate major item replacement and spare-parts system in the automotive maintenance field.

3. Increased ability of the manufacture of small arms ammunition, thus contributing toward the eventual standardization of small arms in Turkey and, at the same time, lessening the burden on the United States for the supply of ammunition therefor.

4. A strengthened Navy, notably through continued training courses and the supply of a submarine tender for its important submarine force and minimum adequate number of converted LS boats for antisubmarine patrol of critical areas.

5. A strengthened air force, notably through the supply of jet aircraft in consonance with prior and planned future programs of supply and training.

Gentlemen, I want to reiterate that I feel after working with the Turks for 1 year that Turkey is a very great point of strength. It is by far the greatest point of strength in the Middle East.

The Turk cooperates. The Turk regards the United States as his friend. He feels that there is an understanding that has developed between the two nations.

He is proud of that. The Turkish armed forces are relatively large for a population of 21,000,000.

Mr. MANSFIELD (presiding). You may go off the record.

(Discussion off the record.)

Mr. MERROW. Would you be willing to comment on how the total military assistance figure was arrived at, also, as to the equipment that we propose to give under it?

General ARNOLD. We keep under constant study in my headquarters the over-all needs of the Turkish forces within the approved program, that is, how far we have initially decided to go.

Each year certain things are produced or procured to fill up the gaps. Again, each year when we start planning for this, for fiscal year 1953 for example, we have to take somewhat of an arbitrary ceiling or figure on our own part, knowing it would be rather stupid for us to come in and ask you for \$4 billion for Turkey. We would not work it that way.

We try to get it to a figure that we feel is within reason. We get guidance from the Department here. We draw up a program in order or priority that fills in the gaps, or if something new is added we have to explain in great detail why that is essential.

Mr. GORDON (presiding). Off the record.

(Discussion off the record.)

Mr. VORYS. I understand that at the border there is a space 100 yards wide where it is kept covered with sand. They patrol it in the daytime but at night they have sand so they can see footprints.

They tell me that if there are footmarks showing that someone came into Turkey—the tribesmen who live there know everybody else—they pick them up and ship them back on the back of the train that goes back, I think, once a day. But they are no longer alive when they return them to Russia. Can you tell us about that?

General ARNOLD. I do not know about the particular instance you speak about. But I know that the Russian border on the eastern part of Turkey is ploughed and raked and that there are watch towers about every 100 yards.

Every time I or any of my people go up near the border there is a rushing to telephones and a rushing all over. I know they check for the footprints you are talking about as to the crossing of the frontier.

Mr. VORYS. This is off the record.

(Discussion off the record.)

Mr. GORDON (presiding). Proceed, General.

Mr. VORYS. I wondered if that description of the Turkish pay was in the record.

General ARNOLD. I would like to repeat that.

Mr. VORYS. I would hope it would be, about their pay, uniforms, and the rest of it.

General ARNOLD. I can give you a brief synopsis of that. I should state first that the Turkish Army is a conscript army. Every Turk by law is required to serve 2 years in the armed services, regardless of his status in life. So the rich man's son and the poor man's son serve side by side and sleep on the ground. There is no difference.

The pay is really nothing in the world but a token. It is 65 piastres, which translated to our money is about 21 cents for 1 month. They are furnished one uniform at a time, one summer uniform in the summer and one winter uniform in the winter, and one overcoat.

If the clothing is torn or becomes shabby, it is up to the individual himself to put the patches on and make the repairs and do his own laundry and everything of that general nature.

There is no help from the Government in that whatsoever. In other words, it is obligatory on the part of a Turkish citizen to serve his country for 2 years at his own expense, practically.

There is no complaint, no objection whatever. Everyone does it. It has been done that way for 600 years. When you reach the age of 18 you serve in the army for 2 years. It is a hard life but it makes good soldiers.

Mr. VORYS. You say the budget would be about \$125 million?

General ARNOLD. Yes, sir. You see, the whole Turkish budget would be less than \$500 million for the whole country, everything. There is 34 percent this year for the military of the about \$500 million. That is about \$150 million or \$160 million.

Mr. VORYS. Is the number of divisions they have an off-the-record figure?

General ARNOLD. It should be, sir. Although it has been published, I would not like to have it appear in the Congressional Record.

Mr. VORYS. We have to present this to the House, General—

General ARNOLD. I will withdraw that. I have no objection to stating the number of divisions. It is 19.

Mr. VORYS. Let me ask somebody this: Is the military amount that goes to Turkey going to be secret? Does anybody know about that?

Mr. VORYS. For \$125 million, plus our aid, 19 divisions are trained and ready?

General ARNOLD. That is right. They are getting better all the time.

Mr. VORYS. That is about the best bargain we have in this whole plan that I know of.

General ARNOLD. There is no question in my mind, and I want to repeat it again, that for your dollar investment you are getting more for your dollar in Turkey than in any other place, although my good friend General Jenkins may disagree with me.

I know dollar for dollar you are getting more in Turkey than you are any place else in the world.

Mr. VORYS. At this point could we ask General Scott what it costs to put an American division overseas?

General SCOTT. You are asking the equipment costs or the maintenance cost of a division overseas?

Mr. VORYS. If you say "costs," that is equipment, maintenance, the whole works.

(Discussion off the record.)

General SCOTT. I want to correct that figure.

Mr. VORYS. I thought it was a lot more than that.

General SCOTT. It may be more than that.

General ARNOLD. We can get the figures.

(Discussion off the record.)

Mr. VORYS. I was thinking that the figure had jumped from \$5,000 to \$10,000 a year per soldier in a division, and that that was the basis they were working on our own budget.

Could you get that figure for us and put it in here?

General SCOTT. As I understand it, you want the per capita cost for a soldier in an infantry division, for his maintenance, for his armament, for a year?

Mr. VORYS. Per capita and cost per division. That is a figure that is going to be quite significant in comparison.

(Discussion off the record.)

There is one other item I want to acquaint the committee with, and it will be off the record.

(Discussion off the record.)

Mrs. BOLTON. Are we on the 5-minute rule?

Mr. GORDON (presiding). I guess we were just carrying on.

Mrs. BOLTON. I suggest we go on the 5-minute rule.

Mr. GORDON (presiding). We may start on the 5-minute rule at this time. Dr. Eaton.

Mr. EATON. I have no questions.

Mr. GORDON (presiding). Mr. Carnahan.

Mr. CARNAHAN. General, in your statement you say that Turkey is a relatively poor country. I am wondering if they can develop their economy to the point where they can eventually support these 19 divisions?

General ARNOLD. No, sir; to be perfectly frank about it, sir, not in the foreseeable future, I would say. There are resources in Turkey of great moment. There is copper, iron, coal. There is chrome. There are tremendous resources. It is an agricultural country, sir. Its principal export will always be agricultural exports, wheat.

When I say "poor," it is undeveloped. They still use the wooden plow. Although there have been several millions of dollars spent on roads in the past 3 years, it is still very primitive. There are many areas in Turkey in which there is no way that you can get into them.

(Discussion off the record.)

General ARNOLD. They have made great strides in the last 28 years; 28 years ago the city of Ankara was a little village on a hill. Now it is a city of 280,000, everything having been built since Ataturk, a modern city.

Twenty-eight years ago the people wore fezzes; 28 years ago the women wore veils on their faces; there was a sketchy educational system. Now there is a fine university; there are hospitals and schools practically in every village. I would say that probably their degree of literacy has been raised from 15 percent to 35 or 40 percent.

They are making tremendous strides, and on their own. This has been accomplished mostly by Turkey lifting itself up by its own bootstraps.

Mr. CARNAHAN. They have raised their standard of living?

General ARNOLD. It is raised, but it will take a long time before it becomes satisfactory, sir.

Mr. CARNAHAN. Do you mean to imply that perhaps economic aid to Turkey may be a rather disheartening procedure?

General ARNOLD. No, sir. I do not think it is disheartening at all. I think the vision of the people who started this thing still exists. It is not, however, with the drive that Ataturk had, because you probably only have one Ataturk in 300 years.

There is the desire to become associated with the west; there is the desire to be spoken of not as Asiatics but as people of the west, a democracy. It is a burning desire in the Turkish heart.

Mr. CARNAHAN. Then I wonder if I got the impression that if Turkey remains strong militarily we are going to have to carry a right sizable part of the cost?

General ARNOLD. Yes, sir; but you would not have to carry as large an amount as is currently budgeted. As a matter of fact, I think if this amount is appropriated now, and an equal amount approximately were appropriated for 1953, you could very definitely see a lessening cost because the modernization program would have been practically completed, and then it would be a question of maintenance and replacement of the worn-out items, which would not be as expensive.

Mr. CARNAHAN. You do feel that the Turk can get in position to maintain this force, or largely maintain this force, after it is once well-established?

General ARNOLD. Not a force of 19 divisions; no, sir. I would like to qualify that, sir. They could do that at the sacrifice of other things that are so essential.

In other words, you cannot always put everything in the military and ever hope to get what we would like to have as a balanced proposition. They could do that if they keep on taking away from what they should do in the way of schools, hospitals, and things like that.

I do not think that is the way to work the proposition. I think you have to have a balanced economy. You want a Turkey which is not only a strong military power but one in which there is a gradual improvement in the standard of living and education of the people.

Mr. CARNAHAN. You do not believe you can build up the military force and maintain it unless you have an economy that will support it, unless the extra money is supplied from external sources?

General ARNOLD. That is right.

Mr. CARNAHAN. That is all, Mr. Gordon.

Mr. GORDON (presiding). Mr. Vorys.

Mr. VORYS. I guess that I have had mine.

Mr. GORDON (presiding). Mrs. Bolton.

Mrs. BOLTON. We are glad to have you with us, General. How long have you been associated with the 'Turks'?

General ARNOLD. One year.

Mrs. BOLTON. I am so interested in your enthusiasm, which I share completely although I have only been there twice for a short time, but it was a very exciting experience. There is a school outside of Ankara—I do not remember the name of it—where they have developed their own houses and the girls and boys go back to their own villages and build their own houses, and so on?

Mr. Mundt was very much interested in it believing it was something that could be used for our American Indians.

You spoke of their having built a great many roads. There were few in 1945.

General ARNOLD. None to speak of.

Mrs. BOLTON. Kemal Pasha Ataturk had the idea that he only wanted one road. That has gone out of their thinking, has it not?

General ARNOLD. The idea was to prevent an invasion. It used to take 18 hours to drive from Istanbul to Ankara, with 18 punctures and a broken axle or two; you can go there now in 8 hours.

Mrs. BOLTON. I will have to go back and look at it. To me the Turks are very wonderful people. I have known some of their women for many years; several having come to take nursing training.

Possibly I should ask this of Secretary McGhee. So little in your testimony has been about the economic phase of the program. It seems to me that what we really are doing for Turkey is largely military although such matters as the roads, plows and such are in the economic field. If we are doing what we can in their teaching programs, should that not be put to us in the bill as military assistance?

STATEMENT OF HON. GEORGE C. MCGHEE, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN, SOUTH ASIAN, AND AFRICAN AFFAIRS

Mr. MCGHEE. Our presentation to you has dealt only with military assistance. The economic presentation was made by Mr. Porter for ECA. I think the figures themselves bear out what you say.

(Discussion off the record.)

Mrs. BOLTON. I have been unable to find anything which puts the emphasis on the military aid and am a little confused.

Mr. MCGHEE. Admiral Duncan stated a little on that.

Mrs. BOLTON. It has been so piecemeal, Mr. Secretary. I am in sympathy with doing everything we can militarily. I also agree with Mr. Carnahan that there must be something to back it up, to give the people a sense of improved living conditions.

The Turkish people have long accepted a very high percentage of tax, and everything else in proportion, to protect themselves from the Russians regardless of what it costs.

General ARNOLD. That is correct. Off the record.

Mr. GORDON (presiding). Off the record.

(Discussion off the record.)

Mr. GORDON (presiding). Mr. Battle.

Mr. BATTLE. General Arnold, it is good to see you, sir. You helped to entertain a small group from this committee, including myself, last fall. We were able to learn a great deal in a short period of time due to your able assistance, and the assistance of Mr. Wadsworth and our other representatives in Turkey. We appreciated it a lot.

If I remember correctly, you were telling me about the Turkish soldiers on maneuvers up on the Russian border who were staying in barracks without heat; am I correct in that? I was trying to recollect some of our conversation.

I was very much impressed with the determination, as you pointed out here today, of the Turks to defend their own country and to fight anywhere and everywhere necessary for self-preservation.

Do you remember telling me about the Turks being on maneuvers up on the Russian border living in barracks without any heat?

General ARNOLD. Heat, sir?

Mr. BATTLE. Yes.

General ARNOLD. That is correct, sir. They have no way of heating except by picking up small sticks, and what have you.

Mr. BATTLE. How cold does it get up there?

General ARNOLD. Twenty below, sir. That was one reason that in the Army program this year I had requested 50,000 sets of winter clothing, because in World War I 30,000 Turks froze to death fighting the Russians in that same area.

Mr. BATTLE. I remember you were talking about the possibility of some economic aid going for socks and clothes for the soldiers.

General ARNOLD. We have pretty well solved those problems now.

Mr. BATTLE. I also remember you telling me something about the way the Turkish Army was recruited and trained and then turned loose every year or two. That was a big problem—

General ARNOLD. Corrections are being made on that. A law has been passed which makes induction operative twice a year, which means that only one-fourth go out at one time, instead of half of them.

It is hoped that three inductions a year will be possible very shortly with another law, which will give smaller numbers of groups so that the units will not evaporate so often.

Inductions can be phased in different areas. Group centers are being started and can send recruits out so that units are always in a combat-ready position. We are working on that now.

Mr. BATTLE. I remember about a year ago we had some exchange students over here, and I had lunch with some of them. I happened to be sitting by a Turkish boy who seemed about 18 or 19 years old. He kept quizzing me about the Marshall plan. Finally when I was telling him about the altruistic motives behind it, he asked if the main reason for the Marshall plan was stopping Russia.

He then made a statement to the effect that Russia would not take Turkey as long as there was a man alive. After I visited there I understood that spirit better. I think they have more determination than any foreign country I have seen. Turkey seems to be an ally we can really count on. Thank you very much.

Mr. GORDON (presiding). Mr. Smith.

Mr. SMITH. I will pass for the time being.

Mr. GORDON (presiding). Mr. Lanham.

Mr. LANHAM. No questions.

Mr. GORDON (presiding). Mr. Merrow. Mr. Mansfield.

Mr. MANSFIELD. General, it is my understanding that the Turks are first-rate in their intelligence service, perhaps having one of the best intelligence services in the world, is that correct?

General ARNOLD. The best intelligence service in the world?

Mr. MANSFIELD. One of the best intelligence services in the world.

General ARNOLD. Sir, I would not know about that. They have never brought me much into their intelligence picture. I have no knowledge of that.

Mr. MANSFIELD. The question I was driving at—if you can answer it it should be off the record—is this——

Mr. GORDON (presiding). Off the record.

(Discussion off the record.)

Mr. GORDON (presiding). Are there any further questions?

Mrs. BOLTON. Sometime ago we were told that the Turks could hold about 2 months if Russia began to move in. Has that been increased considerably?

(Discussion off the record.)

Mr. SMITH. Is there any Black Sea activity, any pressure down toward Istanbul and the Straits?

General ARNOLD. Off the record.

Mr. GORDON (presiding). This will be off the record.

(Discussion off the record.)

Mr. EATON. What is the present population of Turkey?

General ARNOLD. Twenty-one million people.

Mr. MANSFIELD. I have one more question. Is the Turkish brigade in Korea a good cross section of the Turkish Army, or is it an elite brigade?

General ARNOLD. The Turks that went to Korea were not an elite brigade. The soldiers that went to Korea were conscript soldiers. The officers and noncommissioned officers were volunteers. That is all. That was the only situation. They were picked out as volunteers.

To give you an interesting sidelight on how patriotic the Turks are, when the call went out for volunteers to go to Korea as replacements, 30,000 volunteered for 1,800 vacancies. We went by one day and saw a barbed wire fence all around the area in which the 1,800 volunteers were training.

We asked why they had to put them inside the barbed wire, was it to keep them from getting away, and the Turk officials said, "No to keep the others out."

Mrs. BOLTON. May I ask another question?

Mr. GORDON (presiding). Mrs. Bolton.

Mrs. BOLTON. What about the women, do they work in the Army?

General ARNOLD. They are starting, Mrs. Bolton. We are trying to build up something in the way of two things, the Grey Ladies, and the other is the Red Crescent, which is similar to the Red Cross. There are full-fledged nurses, and what you call nurses' aides.

Mrs. BOLTON. The fact that Turkish women took off their veils when ordered to do so by Ataturk does not mean that they are all set to go in all of these things. They have had to get used to this very drastic change in their whole approach to life. I used to see the older ones on the street holding their veils together with their teeth, and when they saw a policeman they would drop them.

General ARNOLD. You see that in the country. It is a shawl sort of thing, and they hold it up. It is custom.

Mrs. BOLTON. The women naturally are not wholly accustomed to the change but they are adjusting to it rapidly.

General ARNOLD. It originates in the larger cities and permeates out.

Mrs. BOLTON. Do you know how many are in the parliament?

General ARNOLD. Yes, I do. I know there is one woman representative from Istanbul. I believe there are probably two more.

Mr. GORDON (presiding). Thank you very much, General.

Mr. VORYS. General, we learned that there were not only women but Christians and Jews in the Turkish parliament; is that still true?

General ARNOLD. Yes, sir.

Mr. GORDON (presiding). Thank you, General, for your testimony this morning.

We have also this morning General Jenkins. Do you have a statement, General?

STATEMENT OF GEN. REUBEN JENKINS, FORMER CHIEF OF JOINT UNITED STATES MISSION FOR ASSISTANCE TO GREECE

General JENKINS. I have no prepared statement, Mr. Chairman. It is my privilege to be here before you this morning. I would like to divide my statement in two parts. First, I would like to give you the broad picture on the record, and then give you a more detailed picture off the record, and then subject myself to cross-examination.

Mr. GORDON (presiding). General, please state for the record your experience and background.

General JENKINS. I am Maj. Gen. Reuben E. Jenkins, Department of the Army, formerly Chief of JUSMAG in Greece. Prior to that I was Deputy Chief of the Mission under Lieutenant General Van Fleet.

I joined the Greek mission in early April 1948, when the fortunes of the Greeks were at an extremely low ebb.

It was my privilege to witness a great change in the position of Greece during the 3 years and 1 month that I served there.

Our objective in Greece initially was to assist the Greeks in restoring internal security and order in the country, and bringing some sem-

blance of order out of the chaos which resulted from the bandit war, a war which was communistic inspired and Communist supported.

That war reached a very successful conclusion in the late summer and early fall of 1949, due to the wisdom of the Congress and the President, in my opinion, of giving that war-torn country aid, because I will state categorically without that assistance Greece today would be behind the iron curtain unwillingly.

General JENKINS. Since the restoration of order in the country, our principal task has been to revitalize the armed forces and bring them up to the highest possible capability within our power, both from a training point of view and from an equipment point of view, in order that they would be able to maintain this security that had been re-established, and to repel external aggression, particularly from the satellite border states.

In my opinion no mission, with all due respect to my good friend General Arnold, has had greater success. In my opinion that is not because of me personally, but because, frankly, I could have had little to do with it if I had not had good personnel to work for me and a good object to work with.

General Van Fleet and I could have accomplished little without those two things.

The armed forces of Greece today are in a most satisfactory state of training. The officer corps, particularly, has been revitalized and has at its head, and at the head of each of the three services, competent leadership and at all levels, down to the platoons in the army. The top leadership is quite capable and determined. The intermediate leadership, battalion and regiment, is learning fast and is courageous, as is the company and platoon leadership.

I might say that our failures in the 1948 campaigns—and I went through them—were not due to a lack of courage, but a lack of know-how in the Greek forces. They had no noncommissioned officer corps in their army and they had no trained leadership below the brigade level, or regimental level. It was a product of a short-term school thrown together hastily out of the chaos that resulted from the occupation.

The programs that we have provided to the Greek armed forces up to now have given the Greeks a very efficient army of nine divisions, reasonably well equipped. Those divisions are in being today.

(Discussion off the record.)

General JENKINS. They have also given the Greeks a small, but extremely efficient navy, with some obsolescent equipment, and some of the reasonably modern items of equipment.

They have produced in Greece a tactical air force that is as good as any I saw in Europe in World War II. That is, in the discharge of its mission in support of ground elements.

(Discussion off the record.)

General JENKINS. It is equipped with Spitfires, Hell Divers, AT-6's and some old British Austers. It has C-47's for transporting, of course, which is for the work-horse job, and there is no better for that kind of work in that country, in my opinion.

The programs for the Greeks are designed not only to give this ground force greater strength for peace, but also to give it the capability of further expansion for war by utilizing the trained manpower that is in Greece today.

(Discussion off the record.)

General JENKINS. When I say this manpower is trained I mean just that. This Greek is hardy. He is tougher than any soldier I have ever come in contact with. That does not exclude the German or the Jap, and I know them both. This man absorbs instruction quite readily, and he retains what he learns. His physical endurance is tremendous.

I have ridden a horse as fast as a horse can walk for two straight hours up the side of a mountain with four Greeks walking alongside this horse, and the horse would arrive at the top of the hill lathered, but these four Greeks would hardly be breathing hard.

Mr. VORSE. What shape were you in?

General JENKINS. We will take that up later, Mr. Congressman.

When I first joined the Greek Army I was astounded at what I saw. Due to the lack of training at the officer level, company and platoon, men did not know how to fight. They opened rifle fire at 2,000 yards. The officers thought that the support for a regiment consisted of two pieces of artillery. Ask one what he thought the situation was, or for an estimate of the situation, and a lieutenant or company commander would look at you with an expression which showed really that he had never even heard of such a thing before. They did not know how to deploy their units. They did not know how to take advantage of cover. They did not know how to crowd their fire.

But today those Greeks in training exercises will crowd their fire so closely that they will take their chance against artillery and mortar fire, even with Spitfires strafing the target, with the infantry within 125 or 150 yards of the target, because they say it will pay them dividends in the long run.

I have known one officer to be hit twice in a training exercise by mortar fire. The first time he refused to stop. The second time it stopped him. The division commander said it will pay us dividends in the long run.

That is an indication, I think, of the quality of courage of this Greek we are now supporting. If I tried that with American troops I would be court-martialed for exposing my troops to unnecessary danger in a training period. I say that in all seriousness.

The Greek himself is an individualist. He loves his little piece of ground, and he loves his little flock of goats and sheep, and he loves his family. He is definitely not a Communist. He is anything but that. But he is a dissident many times, because even a taxi driver or a shoeshine boy will tell you he can do a better job in government than the people who are there. That is almost universal.

Mr. EATON. Just like the Americans.

General JENKINS. The Greeks, we must remember, were loyal allies to us in World War I, and they were loyal allies to us in World War II.

(Discussion off the record.)

General JENKINS. Our investment in Greece, like the investment in Turkey, is an extremely good one.

(Discussion off the record.)

General JENKINS. As to the utilization of this equipment we have given them, I would like to tell you that during the 3 years I was there one of the principal tasks of our officers was to see whether or not this aid that we were furnishing them was being diverted to any purpose other than that for which it was intended. When I left

there there had not been one single case of an officer, or a soldier, or anybody connected with any of the armed forces, being suspected or accused of diverting any of this equipment to any purpose other than that for which it was intended.

Off the record.

(Discussion off the record.)

General JENKINS. Gentlemen, I appreciate your being patient with me in my off-the-cuff statements. I will try to answer your questions now. I would like to state that Congressman Battle paid us a visit in Greece to see these soldiers. He was present when we had our contingent ready to go to Korea, and was present at the ceremony when the United Nations flag was given to this command. I would also like to state that that was not a hand-picked unit. That was a volunteer unit. Units volunteered in a body. Only a few people shifted out of it for personal reasons. The bulk was completely volunteer, and I think that Congressman Battle thought that that was a fine-looking bunch of soldiers.

Mr. BATTLE. It was a very impressive ceremony, and also it was a fine-looking group of soldiers. We appreciated your courtesy and hospitality very much.

Mr. GORDON (presiding). Thank you, General Jenkins, for your interesting and strong statement.

What are the guerrilla activities at the present time? Is there very much of this activity in Greece?

General JENKINS. Guerrilla activity in Greece, Mr. Chairman, has been reduced to that which the ordinary police could handle since early 1950, in my opinion. There have been a few border raids from Bulgaria. There are about four groups, I think, that move back and forth across the border, and as the army goes out after them they go back to Bulgaria. But as to the rest of Greece, not in her history has she had as few bandits as she has today. Those she has are spotted out, two or three here, or there, or somewhere else, and they know who they are by name. It was a police action that remained when I left.

(Discussion off the record.)

Mr. GORDON (presiding). We are under the 5-minute questioning rule, General.

Mr. Chipperfield, have you any questions?

Mr. CHIPPERFIELD. No questions.

Mr. GORDON (presiding). Mr. Battle.

Mr. BATTLE. Mr. Chairman, thank you.

General, I am very much interested in your statement and I appreciate your appearance here this morning. I was wondering what has happened to the Greek children and if a good many of them have been returned or just what is their status.

General JENKINS. The great bulk of the Greek refugee children have been returned to their homes. There are a few that are definitely orphans that are still under the Queen's care. All Red newspapers to the contrary, Her Majesty is looking after those children in fine fashion.

Mr. BATTLE. Are you talking about the children captured by the Communists? Did not Yugoslavia have a lot of Greek children?

General JENKINS. No, sir. I am talking about those that were in the homes within Greece. There were a great number scattered throughout Greece.

Mr. BATTLE. Did Yugoslavia ever return the Greek children she had?

General JENKINS. She has returned quite a few of them. I think Mr. McGhee can give you the details on that.

Mr. MCGHEE. At one time it was estimated there were many thousand Greek children in Yugoslavia. However, when it was investigated quite objectively by the Swedish Red Cross it was found most of these children were of Slavic origin who had been living in Greece but who are now with their parents in Yugoslavia. They did find, I think, several hundred that were of Greek origin and whose parents are now in Greece; these are in the process of being returned.

I think this issue between Yugoslavia and Greece is on its way to being solved. These children were very well taken care of, as Ambassador Allen reported on a number of occasions.

The greatest number of the children were taken behind the iron curtain, and to my knowledge they have never been sent home; they constitute the real problem. It may be they are being trained for future guerrilla action.

Mr. BATTLE. What about the state of mind and health of those who were returned? Were they pretty well indoctrinated to communism, and so forth, or what condition were they in?

Mr. MCGHEE. I am told that in the Yugoslav camps most of the children were fairly thoroughly indoctrinated. A large percentage of the children in these camps were not of Greek ethnic origin.

Mr. BATTLE. That is all, Mr. Chairman.

Mr. GORDON (presiding). Mr. Vorys.

(Discussion off the record.)

Mr. VORYS. That is the air would come along later?

General SCOTT. Later than that. Yes, sir.

Mr. VORYS. That is all.

Mr. GORDON (presiding). Mr. Hays, do you have any questions?

Mr. HAYS. No questions.

Mr. GORDON (presiding). Mrs. Bolton?

Mrs. BOLTON. I realize that this question may seem to be in the political area, but I do not mean it that way. I want to ask quite from the military standpoint—and I would like very much if General Arnold would give us an answer on the same point—is it Greece's desire to be Western? General Arnold made quite a point of Turkey wanting to be western. Is that the Greek aspiration?

General JENKINS. I would say it is even stronger than that, Mrs. Bolton. She is Western.

Mrs. BOLTON. Then she would be deeply interested in becoming or in having either a bilateral agreement with the United States or some kind of an agreement with the United States, would she not?

General JENKINS. Unquestionably she would prefer to be, for example, a member of NATO. I think that is being discussed. That is personal view.

Mrs. BOLTON. Do you feel that would be of military importance?

(Discussion off the record.)

Mrs. BOLTON. I appreciate that very much. Thank you.

Mr. GORDON (presiding). Mr. Lanham, do you have any questions?

Mr. LANHAM. No questions.

Mr. GORDON (presiding). Mr. Smith?

Mr. SMITH. General, does Greece have any productive capacity at all in turning out military items?

General JENKINS. That has been very, very meager up until recently. First the greater part of the economic program originally had to be devoted largely to the civilian side, and particularly to the highway construction programs, that facilitated our operations. I might say here that without that ECA support in the highway and harbor and rail communication work that went on while these campaigns were being fought, we would have been hard put to do the job.

Mr. SMITH. In other words, the first job was one of rehabilitation more than anything else?

General JENKINS. Yes, sir. Since that time considerable progress has been made in the rehabilitation of some of the industries of Greece.

(Discussion off the record.)

Mr. SMITH. For all practical purposes then we are giving them the military end items that they need. Is that right?

General JENKINS. Not entirely, sir. There is a clothing factory there that makes clothing for the army.

Mr. SMITH. For the American forces?

General JENKINS. No, sir. For the Greek forces. The shoe program was passed to the Greeks for the making of their own shoes. When I left they had begun to develop the program for individual items of equipment, such as packs, and haversacks, webbing, belts, and things of that sort. I think Mr. Emery was over there recently and saw the items that had been produced as samples.

There was also a program being considered when I left for the manufacture of their mess gear and a lot of their own personal and individual equipment from metals. Mr. Emery can probably give you more information on that than I can, because he was there after I left and knows how far that program has progressed, but so far as self-help is concerned, I would say the Greek has made considerable progress in the last 12 months.

Mr. SMITH. What percent of the Greek national budget is going into the military?

General JENKINS. With the assistance of the ECA side I think that the total was sixty-something, was it not, George? About 62, I believe.

Mr. EMERY. I think it was around 50 percent.

(Discussion off the record.)

Mr. SMITH. What impact is that having on the general standard of living among the Greeks?

General JENKINS. Serious. A serious one.

Mr. SMITH. Has there been any appreciable improvement in the general standard of living since we have been there?

General JENKINS. Definitely, sir, in my opinion.

Mr. SMITH. To what degree, do you know?

General JENKINS. Well, when American aid first started, or a short time after, there were 750,000 refugees. Today there are none. They have all returned to their farms and their little houses have been rebuilt, and they are back on their own.

Mr. SMITH. You may not know it, or may not have this information, but I am wondering if somebody has it. Undoubtedly they do.

What is the per capita income in Greece today?

General JENKINS. I do not have that figure, Mr. Congressman.

Mr. SMITH. Can the ECA or somebody furnish that?

Mr. MCGHEE. We will get that for you, Mr. Smith.

It is \$185 per capita.

Mr. SMITH. I am wondering if we might also have it for Turkey?

Mr. MCGHEE. Yes, sir. The figure for Turkey is \$128 per capita.

Mr. SMITH. I expect there are no longer any British forces in Greece?

We have taken over that job almost completely.

General JENKINS. No armed forces. The British still have small naval and air missions, and a little larger army mission, and a "prison" mission.

Mr. SMITH. What is their purpose in remaining there? To protect British property?

General JENKINS. No, sir. They assist in the military program. They give assistance on technical matters, because a lot of the equipment we have there is of British origin. Their supply system, and depot system, and so forth, is based on the British pattern, and their entire general staff procedure is the British system, and some of their basic training of the soldiers, for example, is patterned after the British. A lot of the naval equipment is British. In the air, the Spitfires, of course, are all British.

Mr. SMITH. That is all. Thank you, Mr. Chairman.

Mr. GORDON (presiding). Are there any further questions?

Mr. HAYES. Mr. Chairman, might I ask a question or two?

Mr. GORDON (presiding). Yes.

Mr. HAYS. Off the record.

(Discussion off the record.)

Mr. HAYS. General, you made reference to the improvement in conditions there. What is their land tenure system? Is it productive of some of the things that Mr. Smith was speaking of in the economic advances and social improvement? Are you familiar with their land problem there?

General JENKINS. Not too familiar, sir. Only general. The ECA representatives can give you a very detailed answer on that, I think.

However, I would say that there has been considerable improvement in the productivity of the small amount of tillable land in Greece. I think I am qualified to state that categorically, because I lived there and traveled over the country for 3 years. The drainage programs are producing great numbers of acres in various places, such as in Thessaly and Western Macedonia, that before have been wasteland. I do not know the number of acres, but there has been tremendous improvement in that field.

Mr. HAYS. Much of the land they allowed to erode can be recaptured, you think?

General JENKINS. They had a land reclamation project going on that does just that. Yes, sir.

As to the details of it, I am not familiar with it.

Mr. HAYS. Would you care to express an opinion as to whether or not our information program, building sentiment into the Western World, has been satisfactory?

General JENKINS. I do not believe I am competent to answer that, Mr. Congressman, because, frankly, my position there was so confining that I did not have time to branch out into other fields. I can only give you a guess, which I do not think would be worth the time of this committee.

Mr. McGHEE. Mr. Chairman, may I comment on that?

Mr. GORDON (presiding). Yes.

Mr. McGHEE. I think I can answer a couple of Mr. Hays' questions.

There is no problem of land tenure, as such, in Greece. There is no such thing as absentee landlordism. Greece is a country of small landlords, who own their own land. In a typical community the largest landowner would own 50 acres, and the average under 15 acres.

On the question of the information program, I do not know how you might evaluate it on a technical basis. As far as the end product is concerned, however the Greeks, I think, almost to a man, know the extent to which we have assisted them. They are thoroughly oriented to the west. I do not believe there is any basic problem of winning over any important segment of the Greek people to the common cause of the free world.

Mr. HAYS. Thank you.

Mr. MERROW. Mr. Chairman.

Mr. GORDON (presiding). Yes, Mr. Merrow.

Mr. MERROW. I want to ask the gentleman a question concerning coordination.

Greece and Turkey constitute the southern front against Soviet encroachment on the Mediterranean. With 9 divisions in Greece and 19 in Turkey, we have 28 there now. Has there been any coordination of defense plans of those two countries as a front?

General JENKINS. I am not competent to speak on that because I have had no connection with the problem.

General ARNOLD. There have been conversations between the Greek and Turkish General Staffs.

(Discussion off the record.)

Mr. MERROW. You may want to answer this off the record, but if these two countries were brought into NATO then probably there would be coordination, would there not?

General ARNOLD. Undoubtedly.

Mr. McGHEE. That is a definite byproduct.

Mr. MERROW. Is that not necessary?

General ARNOLD. Not only necessary, but it would happen very quickly. You would have that coordination.

Mr. MERROW. That is all. Thank you.

Mr. GORDON (presiding). Are there any further questions?

(No response.)

Mr. GORDON (presiding). The committee will stand adjourned until 2:30 this afternoon.

I want to thank you, General, for your appearance here.

(Whereupon, at 12:10 p. m., the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m., Hon. James P. Richards (chairman) presiding.)

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen of the committee, we have with us this afternoon Assistant Secretary of State for Far Eastern Affairs, the Honorable Dean Rusk.

He has along with him Gen. H. J. Malony, Department of Defense Representative, Southeast Asia Policy Coordinating Committee, and

Mr. R. Allen Griffin, Director, Far East Program Division, Economic Cooperation Administration. These three men are going to give testimony on the economic, political, and military aspects of this problem.

Mr. Secretary, before you begin, how do you want to proceed? Will you give your testimony and then call on the others for certain features of it, or how will you proceed?

STATEMENT OF HON. DEAN RUSK, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS

Mr. Rusk. Mr. Chairman, if the committee is agreeable, I thought I would offer an introductory statement on the political side, and then if the committee wishes, Mr. Griffin and General Malony might make a brief statement on the economic and military side in extension of what I have said.

Chairman RICHARDS. That will be fine. Before you do that, Mr. Secretary, could you take about 15 minutes and bring us up to date on the Korean situation?

I think the committee would like to hear that.

Mr. Rusk. Thank you, Mr. Chairman.

Mr. GORDON. Is this to be on the record or off the record?

Chairman RICHARDS. What about that, Mr. Secretary? We can take it entirely off the record, if you desire.

Mr. Rusk. This can be off the record.

(Discussion off the record.)

Chairman RICHARDS. Have you a prepared statement, or do you want to talk informally?

Mr. Rusk. I do not have a text. Mr. Chairman and gentlemen of the committee, before making my opening remarks on title III, I should like to indicate very briefly the way in which we are organized in relation to the subject matter of title III.

There are five countries of south Asia included under this proposal, India, Pakistan, Ceylon, Afghanistan, and Nepal which are outside the area of my responsibility. What I have to say today will, however, affect and apply to those countries in general terms.

My own responsibility begins with Burma, and includes the countries to the south and east thereof, whereas Assistant Secretary George McGhee has responsibility for south Asia. He will be here this afternoon, if the committee wishes it, or in the morning, to answer questions on these five particular countries.

Our programs in Asia involve the closest possible integration of political, economic, and military factors. For almost a year now we have had a close working group made up of the Department of State, Department of Defense, and ECA.

Mr. Livingston Merchant, my Deputy; Mr. Allen Griffin, of ECA; and Gen. Harry Malony, of Defense, are the representatives on that group. The committee may wish to hear from these latter two gentlemen so that the three of us may together lay a basis for the questions which the committee may wish to ask in this field.

Further than that, the relief and rehabilitation of Korea has a number of special problems concerning the United Nations. Mr. Hall who is here has responsibility for that subject.

Our proposals under title III are for military aid in the sum of \$555 million and economic aid in the sum of \$375 million.

I have had a chance to go through the materials made available to the committee, the testimony of Secretary Acheson, Secretary Marshall, and the message of the President. I plan to repeat as little as possible of what has been said in those earlier materials.

The broad policy considerations are entirely familiar to the committee and I believe to the American people. That is particularly true anywhere here in the Far East, where this committee itself has played an active part in initiating policy over a number of years.

Perhaps my best contribution, therefore, might be to indicate some of the complicated factors that come into play in the effort to translate broad policy into action programs, and try to indicate why a nation which follows the broad policies we are following in Asia and the Pacific should carry out the programs we are proposing, in the face of the factual situation with which we are confronted in Asia at the present time.

I cannot promise for certain to be successful in the effort. I feel that I have an obligation to try to build a bridge between broad policy and specific programs.

First, we should remind ourselves and our friends in Asia of those aspects of our policy which are historical and fundamental, which would be our policy if there were no communism and if there were no Russian imperialism on the march in that part of the world.

Elements of this historical policy are familiar to all of us. We learn them as children in our schools and churches. They are things we take for granted. They are widely known here, and they are widely known and valid in Asia unless they are distorted by propaganda.

For decades we have had an active and vigorous interest in trade, a fruitful exchange of cultural values, a sympathetic interest in national freedoms, an interest in a rising standard of living, relief from diseases, and the hope of better things to come.

Why is this historical attitude so important? In the first place, we are laying a basis for relations with Asia for decades to come. We are now in the first years of the national independence of these new nations of Asia and the relationships we establish today will go far beyond the particular rivalries and contests of our own day. In other words, these new nations may be learning permanent attitudes toward the United States at the present time. Therefore, we need to take this long-range historical point of view.

Secondly, great changes occur in world power relationships; certain of these have occurred in our own generation. We are now in the process of bringing about another great power change by peaceful means, if we can, by strengthening the free world.

But 10 to 15 years from now, the most important necessity of our foreign policy may be that we have a right relationship established with the great peoples of Asia and that we need to have that in mind as we consider our present activities. In any event, these people in the Pacific and in Asia are unwilling to be merely a facet of our problem with the Soviet Union. They would not voluntarily become pawns and they believe that their relations with us are based upon intrinsic values. Asians expect us to consider them an important part in our program.

I have mentioned these historical factors because they have an important bearing not only upon what we do in Asia but also as to how we do it. Are we interested in this area only because of the Communist threat? Will we provide assistance only to those who act in a particular way to fit our own immediate political and strategic concepts? Those are important questions for us in terms of our ability to work out our relations with these people over the decades to come.

A minor example: We have been turning more and more attention in our programs in that part of the world to work in the villages and the paddy fields, working with the people of those countries. Now, we would not want them to believe that we are in the villages and in the paddy fields merely because the Communists are in the villages and in the paddy fields. For that to be our own attitude and for that to be their impression would rob our program of moral content and would render it futile as a practical matter.

We believe there is great strength and vitality in our historical approach to the peoples of the Pacific and of Asia and our program must reflect this fundamental attitude of the American people.

A second great factor which we must have in mind is the impact of Communist aggression in almost every corner of Asia by one means or another. The committee has had that fully set before it and I shall not attempt to describe it but you know it as well as I.

A basic fact is that communism is now waging war in Asia and with great power and resourcefulness. We must stop this aggression by peaceful means if we can, but stop it we must. By "we" we mean not only we Americans but every nation looking toward the kind of world set forth in the charter of the United Nations.

Now, what does Communist aggression mean in terms of our own action and our own policy? It means that we must build our own strength rapidly. It means also that we must project that strength into the western Pacific in support of peace. We have, during this past year, been projecting our strength into the far Pacific, not only in respect to Japan, but also in the Philippines, in southeast Asia, and in other areas economically, politically, and militarily. Insofar as we can by the means available to us, we must encourage other free nations to resolve any disputes which separate them, such as the Kashmir dispute, and to encourage them to organize for mutual protection against aggression, participating ourselves where possible and appropriate.

That brings up the issue of a Pacific Pact which has been of keen interest to this committee in the months past and to which I will return in a few moments.

This Communist aggression means we must recognize a greater urgency of time in developing our relations with the peoples of Asia. We must recognize the greater investment of resources and personnel than might be required if there were no Communist threat.

We must accept, regrettable as it might be, that there may well be a greater margin of error both among ourselves and among our friends in Asia. As we work under greater urgency, we will have to use people who are not as highly trained for work in the Far East as we should like to have, chiefly because they are not available; and we shall have to work with people in Asia whose own institutions have not developed to the point where they can make the most efficient and

effective use of the aid given. So some margin of error must be accepted which would not be there in normal times.

But we must also contest in every possible way the Communist effort to capture nationalist sentiment for the purpose of using this national desire as a means for enslaving the people under Communist domination. That we must fight at every point. Out of the development of our historical policies, and of the special urgency imposed upon us by Communist aggression, there is a broad action program toward Asia and the Pacific which has received general support despite the fact that the region has produced some of our sharpest controversies.

It is not for me to speak of bipartisan policy since I am not a spokesman for the two great parties, but I suggest that a broad program exists which has received considerable support. Our military and economic assistance programs which will be discussed in detail here are not fully understood except in relation to other aspects of American policy and action in this area.

If I may, Mr. Chairman, just state some of the principal points in that broad program of action and policy which has substantial support in the Government and in the country, I would suggest the following:

1. An increase of United States strength in the Pacific.
2. The prompt conclusion of a Japanese peace treaty, a treaty of reconciliation of the sort discussed so carefully by Mr. Dulles with the Members of the Congress.

3. A United States-Japan security arrangement providing for mutual security to these two great countries following a peace treaty.

4. A United States-Philippine mutual security commitment which is factual, based upon our historical association, which is also registered in agreement but which might usefully be registered in still further agreement if that appears to be agreeable to our two countries.

5. A United States-New Zealand-Australia security arrangement to draw those countries more fully into active partnership in the Pacific area.

6. Sympathetic encouragement to broader Pacific arrangements of a regional type.

7. Resistance to aggression in Korea.

8. The rehabilitation of a free Korea and pursuit of the goal of a unified and independent nation, to the maximum extent possible.

9. With respect to China, the nonrecognition of the Peiping regime; the continued recognition of the Nationalist Government; opposition to the seating of Peiping in the UN; and insistence upon settlement of the problem of Formosa by peaceful means and resistance to military exploitation of that island by our enemies against the free nations of the Pacific.

10. Friendly encouragement and support to new nations of Asia, not only those who have already attained full sovereign status such as India, Pakistan, Burma, and Ceylon, but also to others who are just now moving into a new status such as the Associated States of Indochina.

11. Economic and technical assistance programs for the purpose of providing the elementary and basic institutions, the institutional strength and technical know-how of those new nations so that they may set about carrying out their new responsibilities.

12. Military assistance programs where necessary to put these nations in a better position to maintain internal security, to deter aggression from the outside, and to contribute their part to such collective security efforts as may be required to meet this aggressive force with which we are confronted.

13. Lastly, an information and education program which will attempt to deny to the Communists the kind of sympathetic support which they have been able to win by appearing in Asia as an Asian preaching nationalism to such good propaganda effect.

Now, these are the broad elements of action and policy in the Far East which are a part of our over-all effort.

When we talk about the programs themselves, I understand the committee has before it a break-down by country and as between military and economic programs of these various—

Mr. CHIPERFIELD. Here is a break-down, country by country. Are these books available to members of the committee?

Mr. RUSK. We have a break-down of the \$555 million and \$375 million by countries and as between military and economic programs, respectively. Are those not in the hands of the committee?

Mr. VORYS. We have a one-sheet summary.

Mr. RUSK. I want to speak of that in a moment, please.

Mr. VORYS. I have been borrowing reports from our staff. We members have no break-down at all up to today beyond that summary sheet. At least, I have not.

Mr. RUSK. We will have for you as much of this information as we can furnish. I wanted to speak for the moment to the principal factors which determine the size of the programs.

The President in his message to Congress on this subject said that in all these areas of the world, larger amounts of United States assistance could be put to good use and would pay real dividends. Title III programs are comparatively small compared to other areas which are in the bill, and compared to the tremendous needs of the countries which are considered under title III.

Therefore, if the committee is willing, I should like to discuss just for a moment the factors which had the most bearing upon the determination of the size of the programs proposed under title III.

There are a number of factors which might be considered under the broad subject of the need in the recipient countries. There is first to be considered the desire of the country itself. We cannot assume that each of these countries wants a large program or wants to have a large American involvement in their own particular situation. They are in some respects new and sensitive nations. Their nationalistic feelings are running high. They are subject to propaganda based upon the residuum of the old colonial systems. Communist propaganda is extremely active in calling attention to the threat of American influence. Governments which have their own domestic problems to worry about and their own propaganda situation have, on one or two occasions, expressed some reluctance to undertake a heavy commitment with us in this field.

A second factor is that we are aiming, by and large, at eliminating bottlenecks and developing a basic, seed-corn type of operation rather than attempting to fill the gigantic consumer needs of these countries of large population. We do not have here a situation in which we are trying to rebuild a war-devastated industrial plant to bring it back

to a prewar condition. By and large these countries did not have large-scale industrial development. We are trying to take systems which are at the lowest level in standards of living and find means by which out of their own resources they can move rather quickly to some increase in their consumer standards.

That means therefore that we look for the assortment of bottlenecks such as are found in their taxation systems, transportation, port facilities, and civil service training, in order to mobilize as quickly as we can the resources which are available in these various countries for meeting their own needs. We have been reluctant to undertake commitments which would establish a pipeline between vast consumer needs in their part of the world and American production because that would create demands upon us which could not be fulfilled from the resources which are available to us.

A third factor is the institutional capacity of these various countries to use their own resources and to absorb them efficiently. That institutional factor has to do with not only trained personnel and individuals, but also governmental organizations. A country without an effective tax system, for example, presents us with a problem somewhat like that of a swamp: it is difficult to find a firm foundation on which to organize the public fiscal operation and effective governmental activity in the economic field.

We find in almost every country in this area need for greater training on the part of the government officials, on the part of their own businessmen, on the part of their organizations for collecting taxes and disbursing public money, and their organization of transport; right through the entire networks, the shortage of trained people is one of their most crying needs. Therefore, mere dollar aid alone will not necessarily provide a given result in the light of their institutional capacity to absorb.

A fourth factor relating to their needs is their balance-of-payments situation and their reserve position which determine the extent to which they can take care of some of their own most pressing needs themselves. That is somewhat illusory because by and large even those countries with a favorable balance of payments and favorable reserve position probably can maintain that only by importing far less than they need and by skimping on their capital investment for their future needs.

Another factor is the nature of the threat posed to the security and stability of the recipient country. We have to consider somewhat the priority of the threat. In the case of Formosa and Indochina the threat is direct and immediate and needs a maximum effort now if we are to help those countries defend themselves against attack. Other nations somewhat more removed or remote have more time in which they can build up their own resources and therefore the pressure on us for assistance is not quite so great.

Another factor is a political factor stemming from our own desire to establish a friendly relation with these various governments. Even where there may not be a pressing need clearly demonstrated as something we should meet on an economic basis, there still would be an important point to be gained if by a small aid program we could establish a friendly relationship between ourselves and that other government and put some of our people at their disposal for advice and assistance during these troublous times. We want to be in a posi-

tion to do that and to use the aid program itself as a vehicle for demonstrating that kind of an interest.

A further consideration is the ability on the part of the rest of us to meet the needs which we find in these various countries. One of the first questions is whether the burden is a reasonable burden to be carried by the United States. A number of other countries have important responsibilities in that part of the world—the French in Indochina, the British in Malaya—and we are not inclined to substitute ourselves for others in carrying these responsibilities.

Now, the general approach has been that our job is to provide necessary additions to the efforts of others if those additions are essential for the stabilization of the area. But we should not merely go in and put ourselves in place of others in carrying these loads.

A second factor is the availability of United States personnel. We have a very serious problem of recruitment for Americans for jobs out in this part of the world. Our technical assistance program is severely limited in that particular respect. It is probably the real bottleneck and provides the ceiling on our technical assistance capabilities.

That problem of recruitment is self-evident. We do not have many Americans who are thoroughly trained and qualified for that work in that part of the world, compared to our population and our present interest in that area. We are really understaffed as a nation and we are very glad to see that some of the private agencies, such as the American Council of Learned Societies and Social Science Research Council and others, are taking steps to increase the supply of Americans who have special training in that field. There is also the matter of willingness to serve under the conditions in the Far East these days. People cannot take their families with comfort into many areas. There is danger; there is discomfort; and with respect to some of these areas there is also an element of political controversy which has made posts in some of these areas unattractive.

The third factor is the availability of supplies, commodities, and equipment here in this country. During a period where demands are made upon our own industry for our own purposes to the extent now being made under our different programs, it would be illusory for us to promise large programs which require commodities and supplies and equipment which we cannot furnish when the time comes.

Another factor is the extent to which loans may carry some of the load in this direction, such as loans from the Export-Import Bank or the International Bank, or still further assistance from other sources: the United Nations technical assistance program, the plans developed by the British Commonwealth in the Colombo plan, or private activity through industry or through organizations of various sorts who are establishing contacts in this part of the world.

The programs are also related to the possibility of increasing self-help and mutual aid in the area. For example, if by association between southeast Asia and Japan it were possible for Japan to take on some of the functions which would otherwise fall upon us, it might be that we could stimulate that and thereby reduce our own burden to some extent.

A last factor is the inter-relationship between military and economic programs themselves. In certain cases, the military program requires economic support if the military program is to be effective. That is

particularly true in the case of Formosa. In the case of Indochina, the great military effort there requires economic support. In another situation, the economic program would not be effective unless there were a military program to increase the security of law and order in the particular countries involved. All of these factors and others which will come out in the course of the testimony have gone into our assessment of what it would be reasonable for the United States to attempt to undertake in these countries listed in title III during the fiscal year 1952.

There are two countries in the area which are not now included for either military or economic assistance. One of them is Malaya which we accept as a responsibility of the United Kingdom; the other is Japan.

We believe it is not now required that we come in for economic aid or assistance for Japan. The dollar purchases which have been made there in connection with the Korean war and the partial pay-as-you-go plan on which we are planning to operate in connection with our own Armed Forces in Japan have augmented their own remarkable industrial and commercial recovery so that their position does not require this particular kind of grant-aid at this time.

On the military side, the Department of Defense representative may have a comment to make on the prospect for that.

If I may comment off the record—

(Discussion off the record.)

Mr. Rusk. Mr. Chairman, those are the factors which have gone into the make-up of the program.

If the committee is willing, I think it might be helpful for Mr. Griffin and General Malony to indicate the factors which have been considered specifically with respect to their parts of the program and then if we can get into questions and make any analysis of the particular country programs which the committee would wish.

Mr. GORDON (presiding). I believe it would be best that General Malony and the other gentleman testify. Then we can begin our questioning.

You may proceed.

STATEMENT OF GEN. H. J. MALONY, DEPARTMENT OF DEFENSE REPRESENTATIVE, SOUTHEAST ASIA POLICY COORDINATING COMMITTEE

General MALONEY. I am General Malony of the Department of Defense.

Mr. Acheson in his testimony before this committee presented the basic reasons for military interests in this area, that is, the tremendous population, the resources of the area, and its geographical location with respect to communications between the Indian and the Pacific Oceans.

Our specific military objectives in this region may be stated as co-operation with the present free governments of the several countries in the area to assist in assuring that the forces of nationalism are associated with the rest of the free world instead of with Communism, and to assist in the development of sufficient military power where it is needed to maintain internal security and to discourage Communist military aggression.

Therefore, our general military mission is no different in southeast Asia than that in other areas and is to apply a program of preventing Communism from gaining the manpower, the resources, the raw materials and the creation of the industrial capacity essential to world domination.

We do not believe that military assistance in the provision of end items alone or in assisting in the training of the forces of these countries can by themselves bring about anything like a complete solution to the varied situations which confront these several countries.

Mr. MANSFIELD. May I interrupt? Which countries are you referring to?

General MALONY. I am referring to Burma, Thailand, Indochina, Formosa, the Philippines, and Indonesia.

Mr. GORDON (presiding). Proceed, General.

General MALONY. Such military assistance must, of course, be accompanied by political development and by economic measures tending to restore or to preserve the respective national economies.

In the absence of such military assistance, however, these countries may meet such military reverses as to prevent the effective application of other measures however necessary they may be.

With few exceptions, the governments of these countries are newly established as has been pointed out by Mr. Rusk, generally after a long period of military struggle or military occupation.

All of Asia, as has been shown, is on the crest of a wave of nationalism which supersedes all other aspirations of these countries and which cannot be reversed; and too often have these movements been taken over by Communist leadership and Communist propaganda which has had some success in disguising the real threat and in convincing Asian feeling that they should first deal with colonialism and later with Communism.

I think I should emphasize that in this area only are active hostilities in progress now, combat operations in Korea and Indochina and in the Philippines.

In the case of Indochina, the timely arrival of military assistance items last December was one of the principal factors in the successful defense of Tonkin.

I believe it may be useful, Mr. Chairman, to the committee for me to review very briefly the military situations in the various countries and later to elaborate on them if you require any such elaboration.

I will start with Thailand which is the recent scene of a disturbance in which a portion of the Navy captured and kidnaped the Prime Minister. Thailand has the oldest established independent government in southeast area; her friendship with the United States is traditional. Many of their influential leaders were educated here in the United States. She has furnished troops and some shipping and aircraft to the United Nations forces in Korea. Her stand with the rest of the free world has been staunch. The recent disturbance has been promptly and properly handled by the Government and so far as can be seen at this time, the Government rests more secure than before.

[Pointing to map:] Notice that she has a long eastern border contiguous with that of Indochina and that causes her to be very much concerned with the outcome of the war in Indochina and the success of the French and the associated states forces in action there.

Burma over on the other flank and next to India is primarily an area of British responsibility. Great Britain maintains a military mission there and is in touch with the military situation. The Burmese forces have been engaged for some time in clearing the main arteries of communication so that her commerce from the northern part of India may move to the seaboard.

We have a rather imposing map here that will show what the Burmese Government forces have been doing.

The areas in blue (indicating map) coming down from Mandalay to Rangoon on the east indicates a road and railroad which parallel the river. Those are very important means of communication without which—without their being open—of course, no commerce can move to port and the principal items of commerce do come from the north country, with the exception of rice which is in the southern and low areas.

The Burmese Government forces have had some success in this clearing. They are not large forces and have been pretty well strung out, as you see, along those lines of communication.

The areas which I have shown here in red are areas which are held by the dissidents. Unfortunately, the oil regions which are west of Mandalay and included roughly in the area shown by the brown line which drops from north-south, then turns west. Their pipelines are still in the hands of the dissidents.

There are several kinds of dissident troupes there. One that is threatening is the northern group of Chinese Communists, Communist-supported elements.

(Discussion off the record.)

General MALONY. Burma has not sought United States military assistance in 1952, nor do we have any program therefor or request for funds under the 1952 program.

(Discussion off the record.)

General MALONY. I will pass now to Indonesia. Indonesia is attempting to stabilize its recently appointed Government, and to restore her internal security which was very badly dislocated with the withdrawal of the Dutch. We have provided her with some items of constabulary equipment under the 1950 act but otherwise we have no program there, nor are we seeking any funds for a program there in this authorization, except for packing, handling and shipping of undelivered items under fiscal year 1950 appropriations and a small training program.

Mr. RUSK. You mean grant program. They are making purchases.

General MALONY. I should have made that clear, that I am referring to a grant program.

Mrs. BOLTON. They are purchasing

Mr. RUSK. Yes.

General MALONY. They are purchasing on a reimbursable basis certain items of police equipment.

As Mr. Rusk has indicated, we regard Malaya primarily as a British responsibility. The Government forces in Malaya have been engaged for some time in a struggle to put down the guerrilla units which are sapping local production and threatening internal security. We consider that the British are well able to meet the requirements there and we have no aid program, grant-aid program, for this area.

Mr. VORYS. Before you pass up Indonesia, tell us about Borneo. As I understand it, the north part, Sarawak, is still firmly British and the lower part is still in dispute as to whether it is Dutch or Indonesian. Is that the situation in Borneo?

Mr. RUSK. British North Borneo is still British. The rest of Borneo, that part formerly Dutch, is Indonesia. The area in dispute is western New Guinea, which did not pass to Indonesia automatically with the agreements on the transfer of sovereignty.

Mr. VORYS. Borneo is in with Indonesia?

Mr. RUSK. Partly in Indonesia.

Mr. MANSFIELD. Do you mean to say both Sarawak and North Borneo are independent of Indonesia, still in British control?

Mr. RUSK. Still a British colony.

Mr. MANSFIELD. The argument between the Dutch and the Indonesians has to do with that portion of New Guinea?

Mr. RUSK. That is correct; sir.

General MALONY. Formosa: at the present time the forces of Chiang Kai-shek are to be provided with sufficient equipment to be able, in conjunction with the United States Seventh Fleet, to repel successfully any attack which may be developed from the Chinese mainland. Her economy is being strained, of course, by the superimposition of the National forces of Chiang Kai-shek upon the population of Formosa. The Seventh Fleet has a mission of interposing in the event of a Communist Chinese attack on the mainland.

The Philippines by reason of the long United States occupation and our national policy to guarantee their defense from external aggression, bear a special relation to the United States. The armed forces of the Philippines are presently engaged in anti-Communist war against the Hukbalahap Party, the success of which will permit the application of other measures to restore and maintain her internal security.

I am sure you are all familiar with India and the Pakistan situation where they are involved principally in the settlement of problems which developed as a result of the partitioning of India.

Mr. MANSFIELD. General, will you give the committee some idea as to just how much the Huks outnumber the Filipinos?

General MALONY. I will be glad to do that. May I come back after I have completed this general thumbnail sketch?

Is that satisfactory to you, sir?

Mr. GORDON (presiding). All right, sir.

General MALONY. The Kashmir problem still remains unsettled and is potentially dangerous.

Indochina has been engaged with the Communist-led Viet Minh since December 1946. For the most part, the fighting has been localized in North Tonkin. At first the Viet Minh were poorly organized. They fought a guerrilla war. They quickly sought and maintained Communist assistance in equipment and training and the provision of military advisers.

In October last, the newly trained Viet Minh, fresh from training in the Chinese bases and using modern tactical formations and equipment with modern arms, captured two of the principal forts along the northeast frontier. These forts had been guarding the classic gateway of invasion to southeast Asia and so the road to Thailand and

Burma and India was thrown wide open. This presented a very real crisis indeed.

In addition to the loss of these important positions and the Tonkin frontier, French strength was likewise hard hit; they lost the greater part of five battalions of French troops. General Carpentier was relieved and his replacement arrived at a time when it seemed doubtful that the French would be able to resist successfully another attack against North Tonkin.

In December, Mr. Pleven, accompanied by a fairly large staff, came to this country and sought help in expediting the delivery of end items on the program and in expanding it. In the meantime, the Department of Defense acting with the Department of State had set up a military-assistance group under General Brink in Saigon and Brink immediately sought equipment and assistance from our headquarters in Tokyo. He was after such bread-and-butter items as barbed wire, napalm, ammunition, and from us he wanted more and faster deliveries of aircraft.

With the arrival of General de Lattre, who has replaced General Carpentier, the French troops responded quickly to the energetic measures which he proceeded to take and they became full of fight where their morale had prior to that time been considerably lowered.

By reason of the visit of Mr. Pleven here and the steps taken by all the departments to get the equipment which Pleven's staff considered to be the most necessary for the defense of Tonkin, we shipped out under forced draft, so to speak, a great deal of equipment and a lot of it was air.

On January 6, then, the Viet Minh struck again in force at the perimeter of the North Hanoi Delta to which the French had been confined after their catastrophic defeat in October. United States material was beginning to arrive in quantity and a lot of it was rushed from docks in the Haiphong area immediately up to combat. The Viet Minh were thrown back in this attack with heavy losses.

Last April the Viet Minh again attacked, this time along the river Day in the south side of the salient and again they were repulsed.

More recently now the fighting has spread to Annam and down south to Cochin China, and present indications are that we may have a period of calm here for awhile. I will tell you the present disposition but I would like to keep it off the record if I may.

(Discussion off the record.)

General MALONY. The French have borne the cost of this effort in Indochina, of course, and these figures are some measure of what it has cost them. You may gather from these figures announced on May 9, before the operation of the Key River, so they are well below the full and actual figures. They are from December 1946 to the first of 1951. The total losses among the French colonial troops have been announced as 28,927. The French troops themselves included in that figure amounted to 10,000. The actual figure was 9,925. Then in this fighting they have lost 2,608 noncommissioned officers and the officer losses were greater than all their military schools together turned out for the last year.

The cost of the war to the French to date has been about 750 billion francs which is \$2,142,000,000.

I have a remark or two on the program itself. This program on the military side rests, of course, on the proposition that the interests of

the United States are best served in assisting these independent nations of Asia to resist the enlargement of the vast Asian areas already under the Communist domination.

In extending military assistance to enable certain of these countries to stand firm as to their internal security and in turn resist Communist aggression and to increase the flow of the products of these regions which are necessary for us in both war and peace, to the friendly nations and correspondingly to deny them to the Communists.

I can give you an analysis of what we regard as the present intentions of the Communists in this area. They have made clear both by their actions and their propaganda that their intent is to bring Korea within the Communist orbit, to obtain Formosa, to bring about an all-Communist Indochina by armed actions, and to foment subversion in the other countries of the area and in the long run to control the Southeast Asian area.

So within the world-wide responsibilities which the United States has to shoulder and within the limitations of its resources, our military program undertakes to provide needed assistance so that the recipient countries may be given a chance so far as it is possible to do so by material means to establish and preserve their internal security and within certain limits to resist external aggression.

In submitting these programs, the United States has progressively moved toward creation and maintenance of end items for forces determined by the Joint Chiefs of Staff as adequate to meet the situation within the capacity of the respective countries to employ profitably and to remain effective.

We have considered the impact of this program upon the equipment of our own Armed Forces and we are seeking no funds which cannot be obligated constructively.

That is all I have, Mr. Chairman.

Mr. GORDON (presiding). Mr. Griffin, have you anything further?

STATEMENT OF R. ALLEN GRIFFIN, DIRECTOR, FAR EAST PROGRAM DIVISION, ECONOMIC COOPERATION ADMINISTRATION

Mr. GRIFFIN. Mr. Chairman, some of the economic ground has been covered, particularly by Mr. Rusk, and I want also to limit my remarks to the area with which I am familiar, which would exclude Korea for which ECA does not expect to have an obligation henceforth. I will also exclude south Asia—that is, Pakistan and India—although I wish to state that ECA was consulted during the formation of the programs for those countries by the State Department and most heartily concurs in the proposals that are being made.

I would like to make a few broad remarks to start with. One is the fact that in all of these countries of southeast Asia, including the Philippines and even Formosa, the average man is worse off today than he was before the war. That even applies to some extent in Thailand where the minimum of damage and disruption was caused.

There was not one of those countries that was not devastated during the war, as all were occupied by the Japanese. The Philippines received the major impact of that devastation and Burma was a very close second.

There has been great devastation in Indochina but that has been caused by the current civil war, very little of that having occurred during the World War.

I might also remark that during this entire period, until quite recently, nothing could be done for replacement of plant or anything to make up for the normal deterioration of plant. Also, there are only two of those countries in which people may normally go about the countryside without apprehension and fear. Those countries are Formosa and Thailand, although even in Thailand there is some dacoitism that takes place from time to time.

Formosa is the one country where you can go, on foot or on horseback, in perfect safety day or night. There is not a single guerrilla band operating in that country.

All of those countries that had colonial masters, such as in Formosa the Japanese, in Indonesia the Dutch, in Burma the British, lost most or practically all of the technical and expert personnel that had been more or less in charge of their administration and their economies. In Formosa, it was practically a clean sweep. In Burma it was practically a clean sweep of the British. In Indonesia there has been a constant exodus of the Dutch, with only a comparatively small number in relation to the previous large numbers that had been there remaining and useful to the Indonesian Government.

I think there is no part of the world where in general the effect of war, deterioration and devastation and of loss of people of experience, has had a greater impact than in this area that we are endeavoring to assist.

Our missions there are in three different stages—although Asia presents so many special problems in each country that I would say we are in somewhat of a different stage in every country. Of course, Formosa is one country in which we have gathered experience. The Formosa mission resulted from our China-aid program and was an extension and continuation of it. Therefore, it has really been in operation from the time we began to enlarge it in the spring of 1949. Prior to then, the major activity, of course, was on the mainland of China. A great deal of experience has been gathered there in the approach to the problem of the rural people. You are all familiar with the work of the Joint Commission on Rural Reconstruction which has been a model of western activity among oriental peoples.

The countries of southeast Asia have programs that resulted from a determination by the President to extend aid to them last spring. In the area of China section of the Foreign Economic Assistance Act of June, 1950, the southeast Asian countries were in line for aid programs, and missions have been constituted in those countries and are still in some categories being manned with the personnel required to operate them.

The Philippine program is entirely new. It originated by the President's determination, after Mr. Daniel Bell conducted his economic-survey mission there, to extend aid, provided the Government of the Philippines would undertake certain measures of self-help as an indication of readiness to accept aid.

That resulted in the Foster-Quirino agreement whereby President Quirino obligated himself to have certain legislation passed if possible by the Philippine Congress. Their Congress rose to the occasion, the legislation was passed in the spring of this year, and the initial phase

of the program got under way out of funds which were made available in January when the 3-percent transfer of ERP funds to the general area of China was authorized by Congress.

So we are in these various stages and we have different results, of course, to report. I think part of what I have said already speaks for the results in Formosa. In a most difficult situation there economically, it has been possible to maintain a comparatively stable economy and provide a satisfactory enough life to the peasants so that they have not been a threat to the internal security of the island.

In the Philippines, strange to say, although our program can be hardly said to be launched, the anticipation of the program, the fact that the Americans were again to do something extensively to help them—extensively in a moral way more even than in a physical way—seems to have resulted in a new breath of spirit in the country. It even affected the black-market rate of the peso which, I believe, at the present time is 2.3 pesos where only a few months ago it had been over 3 pesos to the dollar.

Now, our approach to the problems we have to face in southeast Asia is one that is generally the same in the southeast Asian countries. It is quite different in Formosa. In Formosa, as you realize, we are running an extremely large program for a small country. It has technical-assistance features, that is true, and a great deal of that technical assistance has been rendered by the Joint Commission on Rural Reconstruction. But it also has today our largest capital improvement program in the hopes that we will make that island self-supporting.

It also has a very extensive program in consumers' goods and industrial raw materials and fertilizer—goods essential for the maintenance of supply in the island. This is necessary for several reasons: First, because the Chinese Nationalist Government lacks the foreign exchange and the reserves to maintain what is necessary in the way of importation in an island that cannot support itself and also support a military force of over half a million people on the payroll; second, to prevent inflationary disaster.

While the situation is in many respects comparable to the situation in Greece, which has a somewhat similar population but, of course, was supporting a war, Formosa nevertheless has to support a Nationalist Government on top of its provincial government and an army, navy, air force and civilian war workers of approximately 600,000 people, as against the support that Greece has had to give to an army of approximately 150,000.

Therefore, we have endeavored last year, that is, in fiscal 1951, and this year in fiscal 1952, to increase our capital-investment program, so to speak, in Formosa, with the hope that increasing self-sufficiency will result.

In the other countries of southeast Asia our programs are based essentially on endeavoring to strengthen those governments in an administrative sense, to bring about some impact on government and on people that particularly will increase the loyalty of the peoples to their governments and their support of their governments, and to break certain economic bottlenecks.

Those bottlenecks exist to a greater or lesser degree within each of the countries. In tackling the job of breaking those bottlenecks

we emphasize the principle of jointness, which is the way we go at all the problems we seek to solve throughout that part of the world.

I can only state when we first entered Burma it was difficult for the Burmese to believe that our approach did not veil something that might be unsatisfactory to them. They were filled with the fear that a new type of colonialism might succeed the old type they had thrown out. They were extremely suspicious of us.

Our first approach in trying to break down that suspicion was the joint method of programming. The fact was we had nothing to hide. We entertained with them the prospect of jointly preparing ideas for aid within the limited means we expected to have available. This principle of jointness we have followed throughout.

In it also we have further explored and have come to realize very realistically the weaknesses that those governments have—the lack of technical assistance; the lack of bureaucracies that are trained in their work. It is quite a different matter to approach a European country on the basis of evolving a program and have experts produce for you a very well thought-out program, with all the blueprints in shape, and all the plans and statistics prepared. There is no such thing in southeast Asia.

The most competent bureaucracies are in Formosa and Thailand. In the other countries they are new; they are partial, and they are inexperienced. Many times you feel that a government minister probably has not a deputy who is adequate to backstop him in his work. This has meant that in evolving our program we have had to work with them right from the beginning.

In one of these countries I was present in the STEM office last fall when the Secretary General of the Planning Ministry came in. He was somewhat embarrassed, but at least he was frank. He stated it was impossible for his office to make out the proposals on the forms that we had submitted. He made the request to the mission chief that we furnish out of our own personnel the people to go to their offices and work with them on ideas that had generally been accepted and screened by them, and again screened by us, in order that the formal proposals might be sent out on the blanks provided in those pieces of paper we had.

We did that. Otherwise, that government would have been probably unable to submit a proposal to us.

In those countries the process of working out proposals for us has sometimes caused a great deal of delay due to inadequacies in their bureaucracies. The process is somewhat as follows: The Government sets up an administrative piece of machinery—a committee of some sort, like the Burma Economic Aid Committee—that will handle the applications from the ministries for aid programs. Meanwhile in those ministries, the Ministry of Health, for instance, and Ministry of Agriculture, and the Ministry of Industry and Commerce, our own STEM staff members will have had conversations and will have already given them a preliminary idea of the scope within which they must remain and the sorts of things that would in all probability be the most appealing.

In short, we do not like to have them think at an early time, and then be turned down later, that we would be interested in helping them to erect plants for the extraction of fissionable materials, or to build cyclotrons, as was wanted in one instance.

This preliminary work was done, and these ministries submitted their proposals to the committee that was formed for screening. Our STEM's work very closely with that committee, so that at the time the screening is accomplished by the committee the probability is that they will not be submitting to us projects we would turn down. We feel strongly that it is not desirable to permit, through a lack of interchange of intelligence between us, any ideas that would encourage them, or lead them in a mistaken way to submit proposals that were certainly doomed to be turned down.

So those proposals reach this committee, and the committee screens them, and those screened proposals go to our STEM for reconsideration and thorough study, preparatory to justifying the proposals to ECA in Washington. These proposals then come to our office here, and again they are screened as to practicality, and as to the justifications offered by the STEM's, and as to the materials that are required for the program—in short, everything possible in a positive way to promote the program. Where we find negative reasons that have to be considered where it might be impossible to see that request through, then we engage in correspondence, usually by cable, with the STEM, to endeavor to get an adjustment made in that proposal, so that in general it can go through in some satisfactory shape.

So this principle of jointness goes all the way through in our operations with those governments. Similarly, after projects are accepted it is not our purpose to have scores of Americans going out in the public health field, doing all the field work for the governments that are the recipients. On the contrary, while the people we send out there must be people who will work in their shirt sleeves—we do not want advisers, and those governments, by and large, do not want advisers: they want workers on our part, and we have to provide workers—nevertheless, the first work our people do is the training of the local people who must be the semitechnicians to help carry out the program.

Therefore, if we are going into a malaria program in one part of one country, or if we are going into a program to apply aureomycin to the eyes of the people who are suffering from trachoma, there is first a large training schedule of the local people, the indigenous people who have to be our right hands. Our people sally forth with them and actually get the work done. This will apply also in the field of agriculture, where we feel that our impact—and it is not only a temporary impact we are after, but it must have a permanent nature also—in extension work is through the training of the native people to carry on the extension work and to do it side by side with us, so that when the time comes that American aid is no longer available, this training will have been accomplished and this Government will have a going machine to carry on the work.

The idea, of course, in carrying this out, lies in our capacity to attain the thing we have striven for the most, which we call the village approach. It is one thing to bring aid and services to the rural areas and be ships that pass in the night. It is another thing to build up the government services. It is still another thing to build up a nucleus in each village which belongs to the team. That is our greatest desire to accomplish that throughout the villages of southeast Asia, in the Philippines, Thailand, Burma, and Indonesia.

The difficulty in the approach to mainland China had been that we had never had time to succeed. There had not been a JCRR early enough to do the village work among the Chinese on the scale that would have been necessary. Whatever had been done by missionary groups and by various private groups, and an occasional job by UNKRA, and a few of the little things done by ECA, was piecemeal, and only organized on a very minor scale.

It is our hope that by this village approach we will not only form in each locality the nucleus to continue the program, but in addition to that will give them a sense of belonging to something which is worth while.

Incidentally, that would mean in most Asiatic localities perhaps the first specific instance known in that locality of what we call civic spirit, and what is really unknown among Asians.

I want to mention, too, at this time the importance of counterpart itself in that part of the world, and how much those countries are doing about counterpart.

Here again it was a different proposition in many respects than in Europe, where we had broad supply programs that immediately furnished counterpart through sales proceeds. Actually, in short, the counterpart of the American dollar was raised by the rapid sale through commercial channels of the products which were imported from this country, and those sales proceeds accrued to the recipient government, to be used on projects and in various ways, according to agreement between that government and our missions in the field.

In Asia, or a number of countries of Asia at any rate, there is comparatively little in the way of sales proceeds in our programs. Of course, that is not so in the case of Formosa, in which there is a tremendous sales proceeds program, due to reasons I have already given to you, to maintain essential supplies and also to prevent an inflationary condition from again sweeping the Chinese off their feet.

In that connection I will say also that practically 50 percent of our program in Indochina is sales proceeds, because it would be impossible to get from the governments of the associated states the wherewithal otherwise to handle the programs we are operating. In short, Indochina is running up against a very serious deficit. It has only been given very recently the authority to levy and collect taxes. It has a military establishment to support. It would be impossible for it to furnish counterpart on the basis of commensurate value.

In the Philippines also we have a considerable sales proceeds program. In Burma we have a very small sales proceeds program.

Generally speaking, in Thailand and Indonesia we do not have a sales proceeds program; but in Indonesia we have the sales proceeds of the previous program that was handled through the Dutch, when the Dutch were operating there, to live upon. Therefore, in these other countries, the Governments must through tax resources and other budget resources to a great extent finance the local currency costs. Local currency costs are borne more heavily in that respect in this part of the world by some of those countries than they have been anywhere that ECA has operated before.

Incidentally, also, no programs there could succeed without a very extensive use of counterpart. Actually, what we need in the field there is local currency. We need local currency more than dollars, in a way.

We have asked in this legislation also that Congress make it possible, when in the judgment of the Administrator it is advisable, for dollars to be directly used to acquire local currency. I hope very much that it can be done.

If there were any period of interruption of commerce when our deliveries were retarded for awhile, and we could not have on hand, coming into the pipeline, the equipment and supplies we had ordered, we would like the privilege to have our programs continued by using dollars directly, if necessary, or as advances to those governments to be repaid later as our equipment comes in, in order that our program should not in any respect be retarded.

The results of our programs are as yet difficult to measure in southeast Asia countries. I mentioned the results, which you are well aware of, in Formosa, and an anticipation by the Filipinos of desirable results. But when it comes to Burma, Thailand, Indonesia, and Indochina, we can state certain things that are being done that we think are good and will be better, but it is yet too early to say the extent to which we have strengthened those governments, because we cannot put our finger on anything exact enough to boast about. We do believe that they are immensely encouraged by our presence. We think that their reaction to the thought, "Well, next month more technical assistance will come in, and the following month more will come in," does encourage them as they meet, or try to meet, some of the problems that are really piling up over their heads.

However, to give you an exact list of accomplishments we can point to and say, "These have made conditions materially better in these countries," would be impossible for us to do at this time, frankly. We hope that by the continuation of these programs throughout another year, when we next come before this body, we will be able to give the sort of evidence that makes you feel that the programs are highly justified in point of results already attained.

We are convinced that our work is essential to that part of the world. We are convinced also that given good men—and we try hard to get good men—and given a pipeline which is kept reasonably well filled—and we have at last gotten it reasonably well filled—that we can do a great deal in those countries not merely to halt communism but to give them forward-looking hopes, to help them present themselves as the great assets to the world that they are.

When one speculates on what that part of the world means to the entire world and how important it is to keep the balance of power in the world situation, I think that our program, modest though it is, can find its justification in probable results that can be in our opinion attained.

Chairman RICHARDS. I think the best way to proceed would be under the 5-minute rule first. The members will direct their questions to the members of the team, who will cover what they are inquiring about.

Mr. Chipersfield.

Mr. CHIPERFIELD. Mr. Secretary, when we considered the programs in the Near East and independent Africa, each member of the committee was given a summary of those programs by country and object, and also certain detailed proposals. Do you have a similar breakdown for the members of the committee?

Mr. RUSK. We have a breakdown, Mr. Chipperfield.

Mr. CHIPPERFIELD. It is in this book here—in the Near East.

Mr. GRIFFIN. We submitted to the staff a number of copies of the fiscal 1951 and fiscal 1952 programs.

Mr. CHIPPERFIELD. It is not so much that we can absorb the details and all that, but we want to know what you have.

Mr. RUSK. We are very anxious to get that information to you, sir.

Chairman RICHARDS. You want the 1952 program in the record, if it is not already in there.

Mr. CHIPPERFIELD. All we have so far is just the totals.

Mr. GRIFFIN. For instance, here is a fiscal 1952 breakdown by general projects. The first page is "All Southeast Asia" and then country by country follows.

Mr. SMITH. Will that go in the record?

Chairman RICHARDS. Is that what you are asking about?

Mr. CHIPPERFIELD. Yes. I want to get the breakdown so that we will know the nature of the programs.

Chairman RICHARDS. You have no objection to placing this in the record; have you?

Mr. GRIFFIN. We have none. This was marked "Restricted" only to keep it in that form until it is submitted to this committee.

Chairman RICHARDS. Without objection, this program copy will be placed in the record.

Mr. GRIFFIN. There are minor revisions we will have to give you.

Chairman RICHARDS. Please do that before you give it to us.

(The documents referred to are as follows:)

FISCAL YEAR 1951 PROGRAM

All southeast Asian countries: Summary table—Estimated dollar cost of program by country and major cost components

(Dollar costs, in thousands)

Country	Total dollar cost of program	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
Formosa.....	\$ 92,621	91,416	1,205	695	210
Philippines.....	15,000	13,973	1,025	1,025	.....
Indochina.....	\$ 21,828	21,542	266	266	.....
Burma.....	10,774	9,298	1,476	1,438	18
Indonesia.....	7,973	7,053	918	907	11
Thailand.....	8,676	8,054	822	765	57
All southeast Asian countries.....	157,072	151,340	5,732	5,436	296
Unallocated program costs.....	246	.....	246	246	.....
Total cost, southeast Asian programs.....	\$ 157,318	151,340	5,978	5,682	296

¹ Experts sent to country. Cost shown represents actual dollar obligations.

² Persons brought from country for training. Cost shown represents actual dollar obligations.

³ Net basis. Excludes funds released from previous year's obligations.

⁴ Includes total cost of contract with United States engineering firm.

⁵ Includes \$34,000 MDAP funds used for salaries and other dollar expenses of initial group of technicians sent to inaugurate health program.

⁶ Provides for an estimated 275 persons and covers additional services rendered under engineering contracts.

⁷ Provides for 73 persons.

⁸ Obligated under an agreement between ECA and the Federal Security Agency (U. S. Public Health Service).

TABLE 1.—*Formosa: Estimated dollar cost of program by major project category*
 (Dollar costs, in thousands)

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
1. Emergency relief					
2. Public health	63	18	50	11	39
3. Agriculture, forestry, fisheries	334	180	184	100	54
4. Transportation, power, other public works	12,077	12,053	24		24
5. Handicraft and manufacturing, mining, other industry	1,704	1,659	45		45
6. General engineering advisory services	884		884	884	
7. Education	19		19		19
8. Public administration	29		29		29
9. Maintenance of essential supply ³	77,506	77,506			
Total dollar cost of program	92,621	91,416	1,205	995	210

¹ Experts sent to country. Cost shown represents actual dollar obligations.

² Persons brought from country for training. Cost shown represents actual dollar obligations.

³ Total cost of contract with United States engineering firm.

⁴ Common-use items plus requisites for production and other essential civilian supplies.

⁵ Provides for an estimated 25 persons and covers additional services rendered under engineering contract.

⁶ Provides for 50 persons.

TABLE 2.—*Philippines: Estimated dollar cost of program by major project category*
 (Dollar costs, in thousands)

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
1. Emergency relief					
2. Public health	596	516	50	50	
3. Agriculture, forestry, fisheries	2,722	2,477	245	245	
4. Transportation, power, other public works	3,633	3,423	210	210	
5. Handicraft and manufacturing, mining, other industry	778	663	115	115	
6. General engineering advisory services					
7. Education	215	188	30	30	
8. Public administration	375		375	375	
9. Maintenance of essential supply ³	6,678	6,678			
Total dollar cost of program	15,000	13,975	1,025	1,025	

¹ Experts sent to country. Cost shown represents actual dollar obligations.

² Persons brought from country for training. Cost shown represents actual dollar obligations.

³ Requisites for production plus other essential civilian supplies.

⁴ Provides for 60 persons.

TABLE 3.—*Indochina: Estimated dollar cost of program by major project category*

[Dollar costs, in thousands]

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
1. Emergency relief.....	1,195	1,195			
2. Public health.....	3,729	3,496	243	243	
3. Agriculture, forestry, fisheries.....	1,619	1,576	43	43	
4. Transportation, power, other public works.....	3,316	3,316			
5. Handicraft and manufacturing, mining, other industry.....					
6. General engineering advisory services.....					
7. Education.....	30	30			
8. Public administration.....	334	334			
9. Maintenance of essential supply ³	11,605	11,605			
Total dollar cost of program.....	21,628	21,542	286	286	

¹ Experts sent to country. Cost shown represents actual dollar obligations.² Persons brought from country for training. Cost shown represents actual dollar obligations.³ Includes \$34,000 MIDAP funds used for salaries and other dollar expenses of initial group of technicians sent to inaugurate health program.⁴ Requisites for production plus other essential civilian supplies.⁵ Provides for 26 persons.TABLE 4.—*Burma: Estimated dollar cost of program by major project category*

[Dollar costs, in thousands]

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
1. Emergency relief.....					
2. Public health.....	1,786	1,486	300	300	
3. Agriculture, forestry, fisheries.....	1,243	1,199	54	49	5
4. Transportation, power, other public works.....	3,616	3,505	111	96	13
5. Handicraft and manufacturing, mining, other industry.....	19		19	19	
6. General engineering advisory services.....	800		800	800	
7. Education.....	645	478	170	170	
8. Public administration.....	32	10	22	22	
9. Maintenance of essential supply ³	2,630	2,630			
Total dollar cost of program.....	10,774	9,298	1,476	1,458	18

¹ Experts sent to country. Cost shown represents actual dollar obligations.² Persons brought from country for training. Cost shown represents actual dollar obligations.³ Total cost of contract with United States engineering firm.⁴ Requisites for production plus other essential civilian supplies.⁵ Provides for an estimated 54 persons and covers additional services rendered under engineering contract.⁶ Provides for 3 persons.

TABLE 5.—Indonesia: Estimated dollar cost of program by major project category

(Dollar costs, in thousands)

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
1. Emergency relief.....					
2. Public health.....	2,836	2,736	100	100	
3. Agriculture, forestry, fisheries.....	2,848	2,435	113	102	11
4. Transportation, power, other public works.....					
5. Handicraft and manufacturing, mining, other industry.....	1,889	1,884	5	5	
6. General engineering advisory services.....	700		700	700	
7. Education.....					
8. Public administration.....					
9. Maintenance of essential supply.....					
Total dollar cost of program.....	7,973	7,055	915	1,007	11

¹ Experts sent to country. Cost shown represents actual dollar obligations.² Persons brought from country for training. Cost shown represents actual dollar obligations.³ Total cost of contract with United States engineering firm.⁴ Provides for an estimated 39 persons and covers additional services rendered under engineering contract.⁵ Provides for 6 persons.

TABLE 6.—Thailand: Estimated dollar cost of program by major project category

(Dollar costs, in thousands)

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ¹	Trainees ²
1. Emergency relief.....					
2. Public health.....	2,008	1,547	461	450	11
3. Agriculture, forestry, fisheries.....	2,317	2,100	217	175	42
4. Transportation, power, other public works.....	3,902	3,818	114	110	4
5. Handicraft and manufacturing, mining, other industry.....	619	580	30	30	
6. General engineering advisory services.....					
7. Education.....					
8. Public administration.....					
9. Maintenance of essential supply.....					
Total dollar cost of program.....	8,876	8,054	822	765	57

¹ Experts sent to country. Cost shown represents actual dollar obligations.² Persons brought from country for training. Cost shown represents actual dollar obligations.³ Provides for 62 persons.⁴ Provides for 14 persons.

FISCAL YEAR 1952 PROGRAM (ILLUSTRATIVE)

All southeast Asian countries: Summary table—Estimated dollar cost of program by country and major cost components¹

[Dollar costs, in thousands]

Country	Total dollar cost of program	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
Formosa.....	90,000	88,206	1,794	* 1,244	550
Philippines.....	35,400	34,410	990	540	450
Indochina.....	29,300	28,170	1,130	750	350
Burma.....	14,500	12,952	1,548	* 1,348	200
Indonesia.....	8,000	6,191	1,809	* 1,234	575
Thailand.....	7,000	5,595	1,405	1,020	335
All southeast Asian countries.....	184,200	175,524	8,676	* 6,166	* 2,510

¹ Does not include any portion of funds that may be approved for basic materials development (in title I of proposed Mutual Security Act).

² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.

³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.

⁴ Includes total cost of contract with United States engineering firm.

⁵ Provides for an estimated 399 persons and covers additional services rendered under engineering contracts.

⁶ Provides for an estimated 502 persons.

TABLE 1.—Formosa: Estimated dollar cost of program by major project category¹

[Dollar costs, in thousands]

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
1. Emergency relief.....					
2. Public health.....	1,120	876	244	144	100
3. Agriculture, forestry, fisheries.....	1,950	1,605	345	180	165
4. Transportation, power, other public works.....	12,890	12,805	55		85
5. Handicraft and manufacturing, mining, other industry.....	5,820	5,730	90		90
6. General engineering advisory services.....	800		* 800	* 800	
7. Education.....	50		50		50
8. Public administration.....	180		180	120	60
9. Maintenance of essential supply ⁴	67,190	67,190			
Total dollar cost of program.....	90,000	88,206	1,794	* 1,244	* 550

¹ Does not include any portion of funds that may be approved for basic materials development (in title I of proposed Mutual Security Act).

² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.

³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.

⁴ Total cost of contract with United States engineering firm.

⁵ Common-use items plus requisites for production and other essential civilian supplies.

⁶ Provides for an estimated 32 persons and covers additional services rendered under engineering contract.

⁷ Provides for an estimated 110 persons.

TABLE 2.—*Philippines: Estimated dollar cost of program, by major project category*¹

(Dollar costs, in thousands)

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
1. Emergency relief.....					
2. Public health.....	2,350	2,084	166	96	70
3. Agriculture, forestry, fisheries.....	10,050	9,784	266	216	50
4. Transportation, power, other public works.....	3,450	3,263	187	12	175
5. Handicraft and manufacturing, mining, other industry.....	450	438	12	12	
6. General engineering advisory services.....					
7. Education.....	500	333	167	132	35
8. Public administration.....	500	308	192	72	120
9. Maintenance of essential supply ⁴	18,200	18,200			
Total dollar cost of program.....	35,400	34,410	990	540	450

¹ Does not include any portion of funds that may be approved for basic materials development in title I of proposed Mutual Security Act.² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.⁴ Requisites for production plus other essential civilian supplies.⁵ Provides for an estimated 45 persons in addition to those for whom funds were obligated in fiscal year 1951.⁶ Provides for an estimated 90 persons.TABLE 3.—*Indochina: Estimated dollar cost of program by major project category*¹

(Dollar costs, in thousands)

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
1. Emergency relief.....	1,000	1,576	24	24	
2. Public health.....	6,440	6,026	414	324	90
3. Agriculture, forestry, fisheries.....	2,490	2,230	200	180	80
4. Transportation, power, other public works.....	2,950	2,868	87	72	15
5. Handicraft and manufacturing, mining, other industry.....	510	459	51	35	15
6. General engineering advisory services.....					
7. Education.....	400	106	294	144	150
8. Public administration.....					
9. Maintenance of essential supply ⁴	14,910	14,910			
Total dollar cost of program.....	29,300	28,170	1,130	780	350

¹ Does not include any portion of funds that may be approved for basic materials development (in Title I of proposed Mutual Security Act).² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.⁴ Requisites for production plus other essential civilian supplies.⁵ Provides for an estimated 55 persons.⁶ Provides for an estimated 70 persons.

TABLE 4.—*Burma: Estimated dollar cost of program by major project category*¹

[Dollar costs, in thousands]

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
1. Emergency relief					
2. Public health	3,750	3,327	423	343	73
3. Agriculture, forestry, fisheries	2,600	2,524	276	216	60
4. Transportation, power, other public works	2,850	2,772	78	43	30
5. Handicraft and manufacturing, mining, other industry	1,200	1,200			
6. General engineering advisory services	700		700	700	
7. Education	1,400	1,329	71	36	35
8. Public administration					
9. Maintenance of essential supply ⁴	1,800	1,800			
Total dollar cost of program	14,500	12,952	1,545	1,345	200

¹ Does not include any portion of funds that may be approved for basic materials development (in title I of proposed Mutual Security Act).² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.⁴ Total cost of contract with United States engineering firm.⁵ Requisites for production plus other essential civilian supplies.⁶ Provides for an estimated 67 persons and covers additional services rendered under engineering contract.⁷ Provides for an estimated 40 persons.TABLE 5.—*Indonesia: Estimated dollar cost of program by major project category*¹

[Dollar costs, in thousands]

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
1. Emergency relief					
2. Public health	2,600	2,358	342	192	150
3. Agriculture, forestry, fisheries	3,240	2,861	379	304	175
4. Transportation, power, other public works	410	374	36	36	
5. Handicraft and manufacturing, mining, other industry	500	400	100	60	40
6. General engineering advisory services	550		550	550	
7. Education	300	228	72	72	
8. Public administration	400	70	330	120	210
9. Maintenance of essential supply					
Total dollar cost of program	8,000	6,191	1,809	1,234	575

¹ Does not include any portion of funds that may be approved for basic materials development (in title I of proposed Mutual Security Act).² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.⁴ Total cost of contract with United States engineering firm.⁵ Provides for an estimated 73 persons and covers additional services rendered under engineering contract.⁶ Provides for an estimated 115 persons.

TABLE 6.—Thailand: Estimated dollar cost of program by major project category¹

[Dollar costs, in thousands]

Major project category	Total dollar cost	Cost of supplies and equipment	Cost of services		
			Total	Technical assistance experts ²	Trainees ³
1. Emergency relief.....					
2. Public health.....	2,860	2,404	456	336	120
3. Agriculture, forestry, fisheries.....	2,310	1,668	642	432	210
4. Transportation, power, other public works.....	250	147	103	43	55
5. Handicraft and manufacturing, mining, other industry.....	650	590	60	60	
6. General engineering advisory services.....					
7. Education.....	930	788	144	144	
8. Public administration.....					
9. Maintenance of essential supply.....					
Total dollar cost of program.....	7,000	5,595	1,405	1,020	385

¹ Does not include any portion of funds that may be approved for basic materials development (in title I of proposed Mutual Security Act).

² Experts sent to country. Cost computed on uniform basis of \$12,000 per person, allowing for average lapse of 3 months.

³ Persons brought from country for training. Cost computed on uniform basis of \$5,000 per person.

⁴ Provides for an estimated 85 persons.

⁵ Provides for an estimated 77 persons.

Mr. CHIPERFIELD. I would like to ask General Malony a question (Discussion off the record.)

Mr. CHIPERFIELD. I understand, sir.

Chairman RICHARDS. Will the gentleman yield before you are finished?

Mr. CHIPERFIELD. Yes.

Chairman RICHARDS. General, is it not a fact that the cost of the Indochinese operation by the French has just about cost them what our military aid has cost that we have furnished to the French today?

General MALONY. That we furnished the French?

Chairman RICHARDS. Yes. I think you said a few billion dollars.

General MALONY. Yes; close to \$2 billion.

Mr. COOLEY. I think it is approximately the same as economic aid that has been given France in the ECA program. That is the statement that has been made in the record from time to time, I believe.

Chairman RICHARDS. That is, the cost of the Indochina operation—

Mr. COOLEY. To France, has been approximately the same or the equivalent to the amount of ECA aid France has received.

Chairman RICHARDS. Yes; but it did not include the military aid?

Mr. COOLEY. That is my understanding.

Mr. CHIPERFIELD. I have no more questions at this time, Mr. Chairman.

General MALONY. May I make a statement off the record?

Chairman RICHARDS. Yes.

(Discussion off the record.)

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. No questions, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Mr. Rusk, is there some danger that if we project our military strength in the Pacific, that the Chinese Communists,

especially, have a very good argument that we are bent upon conquest and the setting up of a sphere of influence of the white man against the yellow man?

Mr. Rusk. I think, Mr. Smith, they will undoubtedly make that argument. They have made it persistently in the last 2- or 3-year period. We believe that that is an argument which we will have to face and refute, because the Chinese Communists are confessedly a part of a combination which itself is out to commit aggression, not only in its own immediate neighborhood, but ranging far beyond its immediate borders.

The WFTU plan for the conquest of Asia seems to be still uppermost in their minds. We have now no doubt they have Japan as a target, Korea as a target, and southeast Asia as a target. We do think that it will be possible to demonstrate to the great masses of the people of Asia that we were not the ones that invaded Korea; that we were not the ones who embarked on this program of aggression; that we are ready to work with the people of the area to maintain their own essential security.

It will give the Communists a propaganda point, but it is a point which they will use in any event, and we cannot afford to let our security suffer for that particular reason.

Mr. Smith. I suppose as the matter now stands, when you think of China in the hands of the Communists, that therein is the greatest concentration of Communists in the world today.

Mr. Rusk. That is the greatest concentration of people under Communist control. Yes, sir.

Mr. Smith. Now, we justify our action there on the grounds of morals. It is a moral approach. We think it is the right thing to do. Actually for those whom we are assisting, taking the people of Thailand, Indochina, and Burma, do they approach the matter on the same basis of moral standards that we have, or are we trying to impose our set of morals upon that part of Asia?

Mr. Rusk. I believe that we can come to a common ground with most of these peoples and the governments of Asia on the basis of the principles written into the Charter of the United Nations. That is a short-hand way of saying it.

I think if we could look at the preamble in articles 1 and 2 of the Charter, we would find there a number of broad propositions about the kind of world we thought we were moving toward at the end of World War II, which would be entirely agreeable to the people of Asia as well as to us, and which would, in fact, represent our basic common interests.

Mr. Smith. Are most of these countries in the United Nations?

Mr. Rusk. Yes, sir. Afghanistan, Pakistan, India, Burma, Thailand, Indonesia, the Philippines, and Formosa are all in the United Nations. The Associated States of Indochina, Ceylon, and Korea are not members of the United Nations, and Japan is not a member of the United Nations.

Mr. Smith. I have a question for the general. May I have your attention, General Malony?

General Malony. Yes, sir.

Mr. Smith. Would you say that the great drive that is going on there now in southeast Asia is one that is designed to get to the great natural resources of that area of the world, which are considerable?

Do you not think that that is the motive of the Communists in China especially today?

General MALONY. Of course, that would be one goal, surely. For instance, a blow down through Indochina dislocating the French would be a very short route to the tremendous rice-producing areas of Cochin China. Similarly, a blow against Burma would push them down into one of the largest rice-producing countries of southeast Asia. The same might be said of Thailand. I do not think that would be one of their principal military objectives, but I do think it would be a very important objective.

Mr. SMITH. In that whole area there is considerable tin, rubber, and oil?

General MALONY. That is right.

Mr. SMITH. Those are certainly natural resources they need for their industrial machine if they are going to continue this military expansion program.

General MALONY. That is true.

Mr. SMITH. That is all, Mr. Chairman.

Mr. RUSK. May I add a statement on that last point?

Mr. SMITH. Yes.

Mr. RUSK. Not only is the intrinsic worth of southeast Asia important as a possible target, but also the relation between southeast Asia and Japan is important. Japan is going to have a difficult problem at best in adapting itself to the new conditions in which it finds itself.

If southeast Asia falls under hostile control it is going to complicate the Japanese problem many times over with respect to the area as a source of raw materials and as a place for the markets they need.

Mr. GRIFFIN. May I add a statement there?

Chairman RICHARDS. Mr. Griffin.

Mr. GRIFFIN. To point up the importance of what Mr. Rusk said, in 1949 SCAP made its first barter arrangement with Thailand, and that has been continued since. I believe the first barter arrangement was for approximately \$25 million worth of materials. The second was in 1950 for \$45 million worth. I think 1951 will be for \$60 million worth.

In the case of Burma in 1950 it was, I believe, for around \$24 million worth of exchange between the two countries, and I believe the Burmese were able to transfer between \$16 and \$18 million worth back and forth; so already, even on a barter basis, they have come in there in a very important way; and we are opening an office in Japan ourselves in order to expedite procurement, particularly of materials that might be in short supply in this country.

Mr. SMITH. Thank you.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. Mr. Secretary, a few days ago when Mr. Foster was before us we started discussion, without very much time to develop it, as to the difference in operation of ECA, that is, the so-called STEM programs, and point 4.

If I understand it correctly, point 4 is to operate in Afghanistan, Nepal, and Ceylon, and the remainder of southeast Asia, that is, India, Burma, Thailand, and others, come under ECA. Is that correct?

Mr. RUSK. That is correct. The general principle is that where the assistance is almost wholly technical assistance in character it would

be suitable for a point 4 operation. But where the program requires not only technical assistance, but with it very important other types of aid, then it is the ECA type of operation. It just happens in the area for which I am responsible that the plan is that it be entirely ECA; that is, from Burma around through the Pacific. That is because it would be a combined program of the sort that would require not only the furnishing of technicians for technical assistance, but the procurement of supplies and things of that sort. We and ECA have a very close working arrangement for that particular aspect of the matter.

Mr. BURLESON. Are we to understand that the objectives of the two programs are materially the same?

Mr. RUSK. The political and security objectives are the same. I think there would be differences in the emphasis and obviously some difference in the objective on the strictly economic side, because the broader programs would be in the form of economic assistance, rather than technical assistance.

Mr. BURLESON. The objectives of technical assistance—and this was also mentioned by Mr. Foster—are improvements in agriculture, health, transportation, and whatever may be determined necessary. That suggests to me a very permanent and a continuing program. But as I understand it, ECA is a temporary program. Maybe it is temporary for 20 years, but I understand it is temporary.

Mr. RUSK. Well, we look forward for some period of time to accomplishing a substantial program of assistance in southeast Asia and that part of the world. I would like to ask Mr. Griffin if he would care to comment on that.

Mr. BURLESON. Also comment, Mr. Griffin, on these two programs.

As I understand it, there is a shortage of technicians. Are these two programs going to be combined with one another to secure the qualified personnel for these tremendous undertakings which will continue on and on for a great period of time, or will they be competing for personnel, and so forth, to carry on the same type work?

Mr. CHIPERFIELD. Will the gentleman yield?

Mr. BURLESON. I yield.

Mr. CHIPERFIELD. I want to find out one thing. What do you mean by a "STEM" program?

Mr. GRIFFIN. I beg your pardon. I am very much at fault for not having mentioned it.

Mr. BURLESON. Mr. Foster gave us that STEM business up here the other day.

Mr. CHIPERFIELD. I was not present then.

Mr. GRIFFIN. It is one of our alphabetical tags, but it means "special technical and economic mission." In short, from the beginning of our programs in southeast Asia there was an emphasis on the technical assistance part of it.

Chairman RICHARDS. You said technical assistance?

Mr. GRIFFIN. Yes.

Mr. VORYS. Special technical. This is not just technical, but special technical.

Mr. GRIFFIN. A special mission.

Chairman RICHARDS. It is a kind of shotgun wedding between ECA and technical assistance, is it not?

Mr. GRIFFIN. It might be considered that, in that ECA had not in Europe embarked on programs in which technical assistance--important though it was--was so much the original and central point as it necessarily has to be in Asia. Here, as soon as we undertake a large agricultural program, in order to improve the production in these southeast Asian countries technical assistance is fundamental. For instance, in Japan, the average production per acre of rice is 3,300 pounds. In the United States, where we go at it on a broad scale with a lot of equipment but not as much attention to the details of intensiveness of production, we are now up to about 2,300 pounds of rice per acre. In the Philippines they grow a little less than 1,000 pounds of rice per acre. In India it is about the same. In Burma it is about 1,200 pounds of rice per acre. In Indonesia and Thailand it is about 1,400 pounds per acre. When we go there to improve the rice yield by various means the approach is not by bringing in the American production methods for rice but by improvement of seed, and selection of seed, and the use of fertilizers, and improvement of water control, and so forth.

Naturally, technical assistance goes hand in hand with that. We send out people from the beginning who are technical assistants to those countries. We get trainees from them as counterparts who go along in that and work with our technical assistants on the ground. We send for trainees who come to this country to pick up ideas from our extension work in this country as to how to take the extension work in rice multiplication, seed, and so forth back to that country. Therefore, it is in a sense very much point 4, and the same applies in the health operations. It is point 4, but souped up, I would say, by having a great deal of matériel to work with on the job. In short, an awful lot of on-the-job training is given by the methods we are employing in southeast Asia.

For instance, in another field, in the field of medicine, we have secured the services of Washington University of St. Louis to be affiliated with the medical college in Bangkok. It is not a case of sponsorship. Those countries do not want to be sponsored, but they are pleased to have an affiliation. Therefore, we made a contract with Washington University whereby they have sent a number of doctors and medical people in various phases of medical work and hospital work in Bangkok, and they are on the job now.

They are operating, and they are all people with their sleeves rolled up in the operating rooms and bacteriological work, and so forth.

We are now about to take up with the University of Pennsylvania the possibility of their becoming affiliated with the University of Rangoon. They will conduct--if that is satisfactory to the Burmese, and if we can make a suitable contract with the Medical College of the University of Pennsylvania--they will move in a team likewise into Rangoon. That is in addition to our public-health activities, which go out into the countryside, among the people, and give technical assistance.

We are training the Ministry of Health in Burma in how to enlarge its activities and be able to administer that.

Mr. BURLINSON. That is another thing. You mentioned health and agriculture. We have the WHO, the FAO and other UN agencies; there is point 4, there is ECA, and what else? There must surely be a common interest or common denominator in all these.

I would not say that all these agencies are working at cross-purposes, but it seems to me there would be a competitive proposition present in these activities. I do not know in the first place how much money we are spending. I would like to get it all racked up in one sack, where we can look at this thing. I would like to put it up on the grease rack and look under it. It seems to me there should be an answer to that.

The Colombo plan is another thing. It must be an influence in the picture at some place.

Mr. GRIFFIN. I think I can explain it.

Chairman RICHARDS. Let us get straightened out on this. Your time has expired, and Mr. Merrow is coming up next.

Mr. MERROW. John came in after me, and Mrs. Bolton.

Chairman RICHARDS. Mrs. Bolton will be next.

Mrs. BOLTON. Have these countries all asked for help?

Mr. RUSK. Would you describe the procedure by which these various committees have worked, Mr. Griffin.

Mr. GRIFFIN. This comes back to the matter of the origin of the programs and of the jointness which was worked out.

The President decided in the late winter of 1950 to explore the possibility of aid programs in southeast Asia. A survey mission with instructions to look into the need of point 4 types of technical assistance and of economic assistance combined was sent out there for that purpose. I happened to be asked to take the mission out.

Each country had been informed of what the purpose of the mission was through the embassies, and in all we were received with varying degrees of enthusiasm—a little too much enthusiasm. We explained the purpose of our mission. We held discussions with the governments and explained to them that a limited amount of this type of aid would be made available if they desired it. They had to express their desire for it before we could get together at all on possible projects.

Mrs. BOLTON. It was an original offer on our part to be the generous one?

Mr. GRIFFIN. It was an advance on our part. Yes. What had preceded that before I came into the picture, in the way of possible requests, I am really not fully informed on.

Mrs. BOLTON. It would seem to me that we could be very thoroughly criticized by our people at home when we are facing such heavy expenditures in this country, for going out and soliciting business for our generous gifts. That will be a little hard to sell.

Mr. SMITH. Will the gentlewoman yield?

Mrs. BOLTON. Yes.

Mr. SMITH. I would like to say for the record when we were considering the point 4 program I asked specifically whether this was going to be an invitation by the United States to do this for everybody, or whether it would come upon the initiative of the other countries. Now, we learn that this initiative was all on our part, and it points up exactly the point that Mrs. Bolton has made.

Mrs. BOLTON. Do not misunderstand me, Mr. Griffin. I feel we have a very real job to do in the world which includes giving a hand up to underdeveloped countries. To do this we must first of all insure an understanding of our purposes. I do not believe that we have any right to go out and try to change the character of the people.

I do not think that our particular methods are so universally good that they would be acceptable to all people and so should be spread across the world. The attitude we have that success is measured in money is not something that other countries should want to take on. Certainly it has been a very destructive factor in our own way of life.

Therefore, though keenly desirous of seeing the world a better place to live in, and knowing how much a general aid program will do to offset some of the features of communism, still I am troubled by the fact that we go out and ask for bids, so to speak. Perhaps that is putting it crudely and probably more dramatically than it is meant to be—but if we are going to do that we will have to be far more secure here in America.

When the point 4 was first thrown out at the world by the President there was a good deal of discussion in the committee and out as to there being any need for it at all. We were already giving technical aid. Many felt it a beautiful political gesture and we saw no necessity for these implications of competition. Possibly this is what Mr. Burleson was driving at. Here we have the Veterans' Administration wanting doctors, and so does the Army. The result is competition in a field of short supply. I do not want to hold the floor, however, for I think Mr. Rusk has something he wants to say.

Mr. Rusk. May I comment on that as I do not believe the initiative of the President in discussing point 4 or the mission undertaken by Mr. Griffin, as Mr. Griffin explained, provide a full explanation as to the nature of these requests put to us.

In these countries other than south Asia—and Mr. McGhee can speak for south Asia—we are now in the position of having requests from them, or demands from them, which go considerably beyond any program which we have in mind giving them, and in most cases you have countries in which we would stand in an aid relationship, in any event.

Aid to China goes back many years, into the war period. Korea involved an occupation responsibility and an attempt to work out a result there.

In the Philippines we had a special responsibility which went back historically for many decades. With the fighting that occurred in Indochina, we were involved with French initiative in seeking aid in that particular instance.

So I think it can be assumed that the recipient countries are anxious to get this assistance and are asking for much more than they are getting, and we are not in a position of saying we would like to give you some aid, can we find anyone who is willing to take it?

I think there are many countries who are very strongly seeking it for very important reasons.

Chairman RICHARDS. The time of the gentlewoman has expired.

Mr. Hays.

Mr. Hays. As I understand it, strictly speaking, the three countries mentioned by Mr. Burleson—Afghanistan, Nepal, and Ceylon—are the only three of this group that come administratively under point 4. Is that correct?

Mr. Rusk. That is correct. Yes, sir.

Mr. Hays. But similar work to point 4 is done in practically all of the other countries mentioned in title III?

Mr. Rusk. In all of the economic assistance program there will be some technical assistance as a part of the program. Yes, sir.

Mr. Hays. When we get into this problem of tying the program together administratively in a little different way perhaps than now, what difficulties will we run into? In other words, is the situation so different in these three countries from India, for example, that we should leave it as it is?

Mr. Rusk. I am not sure I am a suitable representative to go into this organizational question from the over-all point of view. I can only speak personally and from my own direct relationship to it.

We have found that the concentration in ECA of all the economic activities and operational programs in the part of the world for which I am responsible has worked very effectively. It relieves the policy sections of the State Department of the very burdensome day-by-day operating matters and management of the program. At the same time, it gives us an opportunity to work closely with them on the determination of policy.

Similarly, with the military programs we have had a very satisfactory arrangement with the Department of Defense, whereby after the policy is established and the nature of the program determined, the Department of Defense is the actual administrative agent in the field.

It may be that that is more simple for us in these countries than I have been working with than it might be in other situations, but I must say that we have had a very satisfactory relationship with both these agencies in this respect.

Mr. Hays. I forget which one of you dealt with the counterpart funds.

Mr. Rusk. Mr. Griffin.

Mr. Hays. And the disposition of them. Mr. Griffin?

Mr. Griffin. Yes, sir.

Mr. Hays. You say in India, for example, we are building up counterpart funds?

Mr. Griffin. No, sir. Not in India. It happens that the Government of India, as a result of the sales of food that will be made because of the food loan measure that Congress passed, will build up a large fund of sales proceeds, but it will not be a counterpart fund in our sense of the word because they will be able to handle it independently of American advice or consent, because it is a loan program rather than a grant program.

Mr. Hays. Does the disposition of these counterpart funds vary, or to what extent is there uniformity in the handling of them? I am not clear on that, Mr. Griffin.

Mr. Griffin. There is not uniformity in their derivation because, as I explained, some are derived one way, and some another. But in handling it it is uniform. Yes, sir.

The counterpart fund is the property of the government which receives the aid, just as it is in Europe. But the planning of the use of the counterpart fund is a matter of joint planning, and again a case where ECA gives its assent, or concurrence, or its participation in the use to which the government will put the counterpart fund.

Mr. Hays. Do not all of these working agreements under formal contracts with the country provide that American assent to disposition of funds should be required?

Mr. GRIFFIN. Yes, sir.

Mr. HAYS. And those are more or less uniform, are they not? I mean, there is a policy underlying the whole area of southeast Asia, is there not?

Mr. GRIFFIN. That is uniform. Yes, sir.

Mr. HAYS. We got into this to some extent in the India food legislation. Are we getting proper emphasis upon health do you think? This is a point 4 question, more or less, which deals with social and nutritional problems, but that is what I am getting at. Or, are we letting the emphasis upon capital structures, or grandiose schemes, prevail?

What assurance can we have that health and nutrition are being given consideration in these counterpart funds' use?

Mr. GRIFFIN. Well, sir, in each country where there is a bilateral agreement, which we have not got yet with India, because we do not have an ECA type of program yet in India—

Mr. HAYS. I did not understand you, sir. You say we have not?

Mr. GRIFFIN. Not in India. Because it is a loan program and is based on a loan agreement. The loan agreement does not set up a counterpart fund. But, wherever a grant operation is involved, there is a counterpart fund. It is provided for in the bilateral agreement and the terms under which it may be drawn upon, I believe, are identical in all of our bilateral agreements.

Chairman RICHARDS. The gentleman's time has expired.

Mr. VORYS, I believe we missed you.

Mr. VORYS. I will wait. I will come at the end of the line. I missed my turn.

Chairman RICHARDS. Mr. Merrow is next, I believe.

Mr. MERROW. The fundamental reason for this program, both military and economic, in this area, of course, is that we feel the integrity of these countries is essential to the security of the United States. That is the reason, is it not? You said that you could not give us evidence of very much progress being made during the last year. In other words, the ability of these countries to resist encroachment has not increased then within the past year or the past year and a half. Is that right?

Mr. GRIFFIN. No, sir. I did not say that. I said it is premature, though, for us to say that so much has been accomplished in these comparatively few months in which we have been launching our program. A great deal has been accomplished in this, that we have set up the government machinery in those countries to be able to cope with the programs.

I think that is a great deal when you start from scratch, but that is a piece of machinery. It is not the final accomplishment of an arrangement in which you can say, "Well, there are so many hundreds of square miles in which the peasantry have accepted these programs. It has been successful among them. It has improved the production of rice already by so much—maybe 1 percent, or whatever it is." We cannot say because we have not made the record yet. We have in Formosa.

Mr. MERROW. If we spend some \$555,000,000 for military assistance and \$375,000,000 for economic assistance, do you anticipate that the ability to resist in these various countries, providing there is a Communist assault, would be greatly increased?

Mr. RUSK. May I comment on that, because I believe the comment which Mr. Griffin made had to do with economic programs in certain countries, but it would not apply to the \$555,000,000 military-assistance program, nor to the military programs which have been in effect this past year, because there you do have specific army units in the Philippines, army battalions in Indochina, particular military operations directly supported in Indochina, and constabulary forces in Indonesia. These do reflect a very definite specific progress toward the security of the area.

On the economic side I would like to point out that it would be difficult for a responsible government official to say that with a certain number of millions of dollars in 1951, that you can register, say, in the case of Indonesia, a specific amount of progress, and we could not come to you here and say we guarantee you that this has been the result. That is difficult to do in the present state of these countries.

However, in the case of certain countries like the Philippines, you can register distinct economic and social progress, even within this first year or two of this new type of program.

I have a letter which has just come to me yesterday from the Governor of the Central Bank of the Philippines. I am not sure that we should put this in the record. I will confirm it later, Mr. Chairman, as to whether it would be appropriate to put it in the record.

Chairman RICHARDS. Who is the letter from?

Mr. RUSK. The Governor of the Central Bank of the Philippines. He points out that the cash resources of the Philippine Government have gone up rapidly. As compared with having only P12 million on hand at this time last year they have P75 million now. He points out that the total tax receipts for the first quarter of 1951 are 40 percent greater than for the corresponding period of 1950. He points out that whereas last year the Government owed the Central Bank of the Philippines P44 million for military requirements and the Philippine National Bank about 17 million for treasury warrants, and a loan of 22 million had to be secured from the International Monetary Fund to pay teachers' salaries, that today, notwithstanding the payment of P7 million on the United States loan, the Government owes the Central Bank only P6 million, and all outstanding treasury warrants have been paid, and the payments of teachers' salaries are up to date, and payment on the counterpart funds are being met.

In other words, there are specific examples that can be registered for the specific progress of this country. It is only on certain ones on the economic side that we cannot register that we have advanced from milepost 1 to milepost 2 accurately and certainly in such a way as to assure you that is the case this past year.

Chairman RICHARDS. I think that letter should go in the record.

Mr. RUSK. We will do our best to get that for you.

(The information requested is as follows:)

CENTRAL BANK OF THE PHILIPPINES,
Manila, July 9, 1951.

HON DEAN RUSK,
Assistant Secretary of State,
Washington 25, D. C.

DEAR MR. RUSK: I am taking this opportunity to thank you once again for the invaluable assistance you have rendered the Philippine Government last year by favorably endorsing its use of the United States funds which were on deposit with the Philippine National Bank. Thanks to this timely action, the Philippine

Government was able to weather a critical period and to make necessary adjustments for solving its short-run financial problems.

After the trying times it endured last year, the Philippine economy began looking up these last 8 months. There has been a marked improvement during the last quarter of 1950 and the first half of 1951.

The international reserves have risen from \$250 million in December 1949 to \$356.7 million in December 1950 to \$382.2 million as of June 1951. These gains in the reserves, the improvement in the trade position and the promise of ECA assistance enabled the Central Bank to recommend and the Government to adopt an import policy that was progressively liberalized covering many commodity imports. This import policy, the new tax measures passed, the intensification of tax collection, the greater control exercised over Government expenditures, the price control and antihoarding measures are the instruments that the Government has been using in its determined fight against inflation. Because of the deteriorating short-run prospects for Philippine exports and the rise of the level of commodity imports due to reconrol, a substantial portion of the gains made in the international reserves position will probably be lost. However, if the decline in the international reserves brings with it a reduction in the level of consumers' prices and improves the financial setting for vigorous economic development and the profitable use of United States aid, we would consider the effort well worth the cost. In any event, we are hoping that the decline in the international reserves will probably not be such as to compel an immediate reversal of the present import policy.

The actions of the Government in the recent past relating to its fiscal operations appear to assure that further inflation of the money supply due to back financing of budgetary deficits would be held in check. The cash resources of the Philippine Government including the P40 million unexpended balance of the United States loan amounted to P73.6 million as of June 30, 1951, compared to only P12.6 million on the same date last year. The total tax receipts for the first quarter of 1951 is about 40 percent greater than the total for the corresponding period in 1950. Compared to last year when the Government owed the Central Bank P44 million for budgetary requirements and the Philippine National Bank about P17 million for Treasury warrants cashed by its branches, when a loan of P22 million had to be secured from the International Monetary Fund to pay teachers' salaries which were in arrears and when a loan of the funds which the United States Government had on deposit with the Philippine National Bank which amounted to about P70 million had to be arranged in order that pressing requirements of the Government, especially of the armed forces, could be met—today, notwithstanding the payment of P7 million made recently on the United States loan, the Government owes the Central Bank about P6 million only for budgetary purposes, all outstanding Treasury warrants have been paid, payment of teachers' salaries is up to date, and, so far payments to the counterpart fund on Government account are being fully met. Of course, with the increase in tax receipts, special funds utilized for budgetary purposes that year, such as the gasoline tax fund, will have to be replaced in order that important public services, like the repair of roads, may be accomplished. If it were not for the fact that funds will have to be provided for essential public works (none was provided in fiscal year 1951) and for the ECA counterpart fund, and the further fact that the cost of maintaining peace and order is increasing due to price inflation, I believe the Government might be able to meet its financial requirements in fiscal year 1951-52.

With the solution of the short-run financial problems of the Government, thanks to the timely loan accommodations extended by the United States Government and the International Monetary Fund last year, and the approval by our Congress of a number of tax measures, this country, with ECA assistance, now has the opportunity to pull itself out of long-run fundamental economic difficulties. The achievement of this objective should not be difficult with the observance of sound monetary and fiscal policies and continued close cooperation between the Philippine Government and the ECA mission in this country.

With kindest regards, I am

Sincerely yours,

M. CUADERNO, Sr., Governor.

Chairman RICHARDS. Go ahead, Mr. Merrow. You have another minute.

Mr. MERROW. The Communists have elected to fight in the Far East. In a year or two suppose they elect to move into Indochina

or some other area. Then it is going to require a great deal more expenditure to stop them, is it not? I mean, if they come down into Indochina we will be in a full-scale military operation.

(Discussion off the record.)

Chairman RICHARDS. The gentleman's time has expired.

Mr. Zablocki.

Mr. ZABLOCKI. No questions.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. I think it ought to be brought out, Mr. Griffin, as far as this point 4 program is concerned, that in the part of the world which you are interested in the average life span is under 30 years. Those people have for centuries fallen prey to disease and pestilence. They are looking for a little bit in the way of security. All of that fits in with their new feeling of nationalism or their new reality of independence.

I think the program we have undertaken, as General Malony has said, is very important as far as our security in that part of the world is concerned. It is only a continuation of what we were doing for decades in Latin America, and I think it is the most important cornerstone in our entire foreign policy over the years.

Now, General Malony, you mentioned the fact that the casualties in Indochina since 1946 or 1947 have been something like 29,000 up to May 1 of this year. You meant to say, did you not, that that casualty list amounts to 29,000 dead?

General MALONY. Yes, sir.

Mr. MANSFIELD. And that the total casualty list would probably approximate something like 150,000 or more?

General MALONY. Yes. Roughly.

Mr. MANSFIELD. Is it not true, as far as the French Republic is concerned, that it would like nothing better than to pull out of French Indochina entirely?

General MALONY. Well, militarily, yes; politically I think the answer would be "No."

Am I right, Mr. Rusk?

Mr. RUSK. I do not think they want to pull out. I think they find this a very grievous burden at the present time.

Mr. MANSFIELD. Off the record.

(Discussion off the record.)

Chairman RICHARDS. The time of the gentleman has expired. I will come back to you, Mr. Mansfield.

Mr. Vorys.

Mr. VORYS. On Formosa you have by far the biggest item for all of this area for military. Now, obviously, that is more with what is there already, than what is merely enough to protect Formosa, is it not?

General MALONY. No, sir. I will have to go back a little and tell you how we arrived at that figure, if you would like it. We sent a board from Tokyo to inspect the defenses of Formosa and the Chinese Nationalist Army, and to make up the list of the deficiencies they required to put them in condition to make a successful defense of the island, with the Seventh Fleet in an interposition mission. On the basis of their report, which is minimal, I think we have arrived at the items that they were in short supply and which they needed for this

protection or this defense mission only, and it is the sum of the cost of those items that is represented there.

Mr. VORYS. Could I see the list?

General MALONY. I have a copy of the report here, I think, or a summary of it.

Mr. VORYS. While you are getting that, I want to come back to another question.

What is the legislative authority for ECA administering programs in all of these countries, including India? Is that because they are in the general area of China?

Mr. GRIFFIN. I do not know how India could be interpreted, but for the other countries it is because they are in the general area of China.

Mr. VORYS. If India is in the general area, then certainly Afghanistan and Nepal are in the same area. Is it proposed that you are going to have an ECA program with bilateral agreements with India?

Mr. GRIFFIN. Yes, sir.

Mr. VORYS. I know in the Indian program you have in this whole business 696 technicians, and I do not know where you are going to get that many. However, you have 379 trainees for India which are to cost \$1,895,000. Section VII of the India Relief Act provided for the interest on the loan to be payable for, "Studies, instruction, technical training and other activities in the United States for students, professors, or other academic persons and technicians."

Is your proposal here in addition to that?

Mr. GRIFFIN. Mr. Vorys, there are some gentlemen here from the Department who are more competent to answer that than I am.

Mr. BURLESON. Did you mention the over-all figure for India in the beginning? I believe it is \$65,000,000.

Mr. VORYS. Yes; \$65,000,000. And of this, \$1,895,000 is for training 379 Indians; and not to exceed \$5,000,000 of the interest on the debt under the India Aid Act, under section VII (a) is to be spent for what I said, that is, technical training of Indians.

Chairman RICHARDS. Just 1 minute. Who is the man you suggest should answer that question?

Mr. GRIFFIN. Mr. Loftus.

Mr. LOFTUS. I would be glad to give a partial answer to that now, or, if the committee preferred, maybe to wait until Mr. McGhee discusses the India program tomorrow.

Mr. VORYS. Mr. Chairman, I thought today we were going to take up title III: Asia and the Pacific. We find it is apparently parted in the middle.

What is the reason why we cannot have the answers to these questions, if not from anybody else, then from the Director of International Security and Assistance Affairs, who is supposed to be the over-all coordinator of all of this and, to quote the memorandum approved by the President, "in such matters will be exercising responsibilities for the Government as a whole"?

Who decided that you were going to have a title III that would involve a split between sections of ECA and the State Department? Who decided that?

Mr. LOFTUS. Mr. Chairman, it was stated at the outset Mr. McGhee would be subject to call this afternoon if he was needed; but, since he had not been scheduled to make a presentation on the committee's

schedule of your program is until tomorrow morning, he was not here. However, I would be glad to undertake to answer Mr. Vorys' question about the technicians in the India program.

Mrs. BOLTON. Will the gentleman yield for a moment on that?

When was India put into the Near East section of the Department of State?

Mr. MANSFIELD. It has been for years.

Mr. RUSK. Historically it has been.

Mrs. BOLTON. Always?

Mr. RUSK. Yes. India.

Mrs. BOLTON. The Far East, not the Near East.

Mr. RUSK. They had the Near East and African Affairs.

Mrs. BOLTON. Near East and Africa, but without India the first time.

Mr. VORYS. I have a more current question. In view of that, who decided to put India in Asia and the Pacific and have it set up so that we have to jump around between various sets of officials to find out the facts?

Mr. RUSK. Mr. Chairman, I very much regret the inconvenience that might be caused by this particular organization of the program. I am not myself familiar with why title III covered the exact range it did, although I thought it was because it was for the convenience of the committee in dealing with strictly the Middle East and Greek and Turkish aspects in title II, which had a different legislative background, whereas title III would be accomplished in a similar legislative background derived from the program for the general area of China.

If any of the representatives of the Director of International Security Affairs are present, perhaps they could help you.

Is Mr. Coolidge here?

Mr. COOLIDGE. Yes.

Mr. RUSK. Are you familiar with the background as to why title III is as it is?

Mr. COOLIDGE. It is my understanding because, as you say, it was being administered under the general area of China, which covers all of the periphery of the Chinese Nation, and, therefore, India.

Mr. VORYS. Is there any money being spent in India now under the general area of China formula?

(Discussion off the record.)

Mr. COOLEY. In answer to that question, if I may say so, there was approximately \$4,500,000 spent in connection with the milo program for India a year ago. That is the only general area of China money that has been spent in India. The current India money, you know, is under the legislation that became law last month.

Mr. VORYS. Would the milo program produce counterpart?

Mr. COOLEY. No, sir.

General MALONY. I have the list you asked for. I would like to ask that that not be included in the record.

Mr. VORYS. I do not want to delay the committee, but I would love to satisfy my curiosity about how India gets in this and who it was who decided that, Mr. Chairman.

Chairman RICHARDS. I will tell you what I will do. Will you submit that question? You want to know how India got into this, and who decided it that way?

Mr. VORYS. Yes.

Chairman RICHARDS. If nobody here can answer that and nobody has authority to answer that, we will get a man who can, and have him testify on that before we close these hearings.

Mr. VORYS. Fine.

Mr. RUSK. May I also add that Mr. McGhee would be anxious to be here.

Chairman RICHARDS. Mr. McGhee would also be. Suppose we do that.

Mr. VORYS. Fine.

Mr. RICHARDS. We have a gentleman here who says he can partly answer that question, but he did not make that decision.

You want to know who made that decision and I do not know if he could tell you who made the decision.

Mr. LOFTUS. The decision to put India back in the Asia-Pacific area.

Chairman RICHARDS. Yes.

Mr. LOFTUS. I think that would be better answered by the International Security Division. I know some of the background of that.

Chairman RICHARDS. Will you give that?

Mr. LOFTUS. I said before I could make a partial answer to Mr. Vorys' question about the India trainees. I think the point there is that that interest money does not become available until, I think, the first installment is December 31, 1952, and maybe June 30 of the following year. I believe it is June 30 of 1953. This particular fiscal-year program [fiscal year 1952] envisages certain particular projects where it was necessary to develop a good deal of competence for the Indian execution of the projects quickly, and more quickly than those interest funds proceeds would be available.

Chairman RICHARDS. It is entirely possible, though, the interest-fund proceeds would be in the field of general education anyway, and not have to do with a particular thing.

What about that, Mr. Vorys?

Mr. VORYS. The wording is as broad as the skies, but one would clearly cover the other. I thought the first interest payment was in December. Maybe I am wrong.

Chairman RICHARDS. The 5-minute period has expired now. Go ahead, gentlemen, and ask any questions you want to. I was hoping we could get through with these witnesses this afternoon.

Mrs. BOLTON. Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton will be first.

Mrs. BOLTON. In reference to what you said, Mr. Rusk—that China had the largest number of people under the control of the Kremlin—I want to ask you a question.

Mr. RUSK. Under Communist control.

Mrs. BOLTON. How certain are you of the control? That is, the control that is actually there in Sinkiang and in the far reaches of China?

Mr. RUSK. I put my answer in that form because the question had intimated that the Chinese were the largest number of Communists. I do not believe the Chinese are Communist to that extent. The most you could say was they were under Communist control.

Mrs. BOLTON. Then you and I are thinking in the same general direction.

Also, I would like to make this point: that these programs of assistance, of giving people more to eat, is of course very vital. However,

that is not the only reason why countries go Communist and why people go Communist. There is a great deal more than that involved. Some things that are taking place out in the Near East are of a nature which might very well drive some of these people away from the West, where they want to be, into a friendliness with the Communists.

So, I hope we will not let ourselves be too certain that the one thing we need to do is to give them food and an army. The willingness to fight in an army has to be there. The desire to stand against Communist ideas must be there, and those are the things that I think are of infinite importance. I hope they will not be forgotten.

Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. I know these witnesses are to be here tomorrow morning. As I have to sign some mail and get something to eat before we return at 7:30, I will leave my questions until tomorrow.

Chairman RICHARDS. They were scheduled, but we were hoping we could finish this afternoon and they would not have to come back in the morning because we have some other witnesses.

If there are any other questions you want to ask these gentlemen, I wish you would ask them this afternoon.

Mr. MANSFIELD. All right. I will not pursue the Indochinese question further, but it goes a good deal beyond what you told us this afternoon, General. I will have to ask that my question and the answer be stricken from the record.

You mentioned something about an Afghanistan-Pakistan dispute. I have never heard of it before. Could you tell us something about that particular incident?

General MALONY. Do you want to speak on that, Mr. Rusk?

Mr. RUSK. There has been considerable controversy between Afghanistan and Pakistan over Pushtoonistan in the control of that area. I think, as a matter of fact, the committee has probably had a briefing from Mr. McGhee on that.

Chairman RICHARDS. I want to say, Mr. Mansfield, we intend to have Mr. McGhee back here on the question to which Mr. Vorys wanted an answer. That is in his area.

Mr. MANSFIELD. Yes.

Chairman RICHARDS. I believe Mr. Burleson wanted to follow up a question.

Mr. BURLESON. I did have a general question in connection with these four or five organizations.

Chairman RICHARDS. I would like to interpose there.

Mr. Secretary, why can you not put these activities together? I would like to know that.

Mr. BURLESON. That is the fundamental question.

Mr. RUSK. We have in mind that the way to put them together for a particular country is in the particular country. It is very hard to set up an organization, let us say, back here, that can tie together what our military is doing on the military side, and what we do in the matter of economic assistance, and what the United Nations is doing for technical assistance, and what the Commonwealth people are doing in the Colombo plan, and the things the governments themselves might do, or what private people or agencies might do, and have that coordinated from Washington on a world-wide basis. The

real place for one to coordinate these activities pertaining to a particular country is in the country itself.

One of the best things we can do in the way of technical assistance is to help them get competent people to help them lick that particular problem. For example, in the case of Indonesia one of the jobs which an American engineering company is doing there is giving them advice on the very problem of coordinating these activities which arise from various sources. So that country program approach, which has contributions from various sources, is the thing on which we should probably concentrate our attention. I do not think we should entirely throw that out the window as a basic approach because it is by that means we get other people helping to carry the burden. That is, not only other people in terms of other governments and other institutions outside this government, but also by which we can best get private capital invested and private agency activity in the way of technical assistance.

It is that country coordination that is the important thing.

As to how we best ought to sort out our own job here so that we as a government will act in the most coordinated and effective way is a little different from that. I was only commenting that from the point of view of the countries for which I had responsibility, that the planned approach that the ECA would do the economic work, and the Department of Defense would do the military work, is entirely satisfactory from our point of view.

Mr. BURLISON. But how about all these other organizations which come in? Take the United Nations activities, and the Colombo plan, and all these things which seemingly would have a common objective. If they are attempting to accomplish the same thing, why can they not be the same?

Mr. RUSK. They have the ability certainly to contribute to the common objective. Again take the case of Indonesia. There will undoubtedly be an Indonesian Government organization whose job it is to arrange for this kind of assistance from our side. Now, that can be advised by Americans who can be of inestimable value to them in trying to ascertain what part ought to be taken by what particular outside agency.

I should like to ask Mr. Griffin to comment on this, but I do not see how you could get a United States agency in Washington who could tie together such things as the Colombo approach, the United Nations approach, and the military, economic, and local contributions from these other countries themselves, because it is beyond our competence and beyond our responsibility to do so.

Mr. GRIFFIN. I would be very happy to talk on that if the chairman allows.

Mr. BURLISON. Incidentally, Mr. Chairman, an example of practical, or rather impractical if true, operation was brought to the attention of several members of this committee several months ago with certain individuals. It was brought to our attention that certain of our activities, either directly or otherwise, had sent tractors into some parts of India and southeast Asia. They were able to operate them for a while, but were unable to make repairs or run them with any considerable efficiency.

Now, historically these people have made their living with a wooden plow with a point at the end of it. That is, the more modern wooden

plow had a little steel point on the end of it. The average man in India was able to farm 4 acres annually with that plow. Now, with a \$2 moldboard—a very light affair that you could almost put in your pocket—it would increase their ability to farm by five times. In other words, they could farm 20 acres. Yet, someone had the idea of putting tractors out there.

Now, if that is true, on things of that sort, if there was one agency responsible, it's efficiency could be gaged and definitely determined. But with several agencies operating not only is it difficult to know the cost but it is difficult to measure the accomplishment.

Chairman RICHARDS. I know something about that moldboard plow. It is a good plow, but are you talking about a straight shovel in a moldboard?

Mr. BURLISON. This plow does not go deep enough, to ruin the land, about which Mr. Bromfield has warned in his books. It will not go that deep.

Chairman RICHARDS. It will cut the grass, though.

Mr. BURLISON. It will not do what Mr. Louis Bromfield was talking about, that is, ruining the land by turning up the subsoil. A water buffalo will not be pulling a deep running plow, as might be used with tractor power.

Mr. GRIFFIN. I believe I can answer the question Mr. Burleson brought up. In every country in which we operate, our first job of organization really is to begin the development of what we call the country program.

This calls for an analysis of all means that can be employed for the development of the country. It means an analysis of what they can do for themselves out of their own foreign exchange earnings; what are their potentialities as a borrower of money; to what extent could we expect that the International Bank might come in as it has in Thailand, and the Export-Import Bank as it has in Indonesia, where it will probably do more; who will come into Burma, and to what extent. Also, what is the United Nations' plan in that area? Does that country belong to the Colombo plan, and so forth.

That is done in the field and has to be done in the field. We considered at some length last fall what sort of coordination to have with the United Nations agencies which would be a practical thing. We decided it would be boondoggling to try to set up a coordinating branch of some kind back here, or in New York.

In other words, the coordination really had to be in the field. We can have conversations here but the work must be done there.

For instance, at the present time the ECA is contributing through the recipient governments to certain United Nations projects in these countries that, on the ground, we saw were good. They could spread their services if they got a little more equipment and help. So we backed them up instead of duplicating them.

For instance, in Burma we are doing livestock disease control through FAO. They had a little group there but they did not have enough money to get anywhere. However, they were good people and had the capabilities. So, we proceeded to provide some equipment and supplies for them so that they could extend their work.

We are also engaged in helping out in the cottage industries in Burma through United Nations operations there.

In Indochina, in malaria control, we are helping WHO conduct some of its operations. There is a lot of room for a number of malaria control measures in Indochina. We wish there were more agencies there to take over more areas of the country.

In Thailand we have numerous projects with the FAO, and with the International Bank we are in the port development business. We took on one part. We secured a dredge which, together with the dredge they own, is going to open up the port and open up the mouth of the river to permit ships of 10,000 tons to proceed up the river. The International Bank is loaning the money for the development of the interior port and the rail facilities going to the interior port.

In addition, we are helping UNESCO with some of its work in Thailand.

In Indonesia UNICEF is doing tuberculosis control work. We are assisting UNICEF in that work.

Another matter which we wanted very much to see a start made in in Indonesia and Burma right from the beginning, and yet we felt it should not be done under our flag, was a school for administrative training. That would have to run as a night school so that the young bureaucrats in their government could go there at night and learn how to get things off their desks, so to speak, and make decisions, and how administration should be set up in the offices there. Also, it would give them courses in economics.

Mr. Sumitro, who until recently was Minister of Trade and Industry, was spending 3 nights a week himself, personally, conducting night classes for young men in his Ministry, in just the most ordinary economics, in order to get them started. It was a burden he himself could not carry, but he had to do it. So we set out and were a number of months trying to get the right United Nations agency that would be willing to do this.

The reason for that was simple. We felt if we undertook, as an American agency, to set up such a school—in the very nature of the work that is done, there is a considerable degree of criticism of how things are being done. We did not want it said "Here is another bunch of people acting just like the Dutch acted before: telling us what to do and how to do it." Whereas, if that is done under United Nations auspices, even though most of the faculty was American, it would be an altogether different picture to them.

So the United Nations Technical Assistance Group has promised to put in the school. It is waiting now for the application from the Government of Indonesia.

These things are fundamentally done on the ground. As to the Colombo plan, no country in our area—except for the Indochina States, which have sat in on some meetings—is at present a member of the Colombo plan, or Commonwealth group in the area in which we are operating. Of course, if we go into India and Pakistan, those two countries are in the Colombo plan. There again it is a question of coordination with the plan. For instance, what the plan which the Department of State worked up for a program in India actually does is take up an area of work already planned to be part of this 6-year plan which we generally call the Colombo plan.

So, the coordination with these programs is complete wherever we feel they are wanted and useful programs, and we work with them in the field and we agree with the decision of our mission chief and his

technical advisers as to the coordination possibilities of the United Nations program being undertaken.

Chairman RICHARDS. Are there any other questions?

Mrs. BOLTON. Yes; Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. I would like to exonerate myself a little on this matter of what area India was in. It happens I was the one who went to the Secretary to discuss areas for possible subcommittees. Always in the Eightieth Congress and Eighty-first Congress India was considered part of the Far East, and not of the Near or Middle East.

Our set-up was done on the basis of the State Department's requests to this committee, so that we could be counseling with you people who represent the different areas.

Mr. BURLESON. You say that was done in the Eightieth Congress?

Mrs. BOLTON. Yes.

Mr. BURLESON. When we came in we did away with that.

Mrs. BOLTON. Yes.

Mr. BURLESON. It was done in the Eightieth Congress?

Mrs. BOLTON. You picked it up again in the Eighty-first Congress.

Mr. BURLESON. Oh, then it stayed there.

Mrs. BOLTON. You found something that was excellent which, after an interval which showed you its value, you had the good judgment to return to.

Chairman RICHARDS. Before these hearings are over we will try to get that mule in the proper stall.

Mr. VORYS. Can I ask Mr. Griffin if his assignment is coterminous with Mr. Rusk's? Do you have India in your bailiwick?

Mr. GRIFFIN. If Congress so allows; yes, sir.

Mr. RUSK. For 1952.

Mr. GRIFFIN. For fiscal 1952.

Mr. VORYS. Who got up the illustrative program for India for 1952?

Mr. GRIFFIN. The Department of State.

Mr. MANSFIELD. May I ask just one question? Mr. Griffin, was it just coincidence that you got the University of Pennsylvania Medical School interested in Burma?

Mr. GRIFFIN. No, sir; I do not know. I do not know if we have them yet, but it is contemplated.

Mr. MANSFIELD. The Secretary knows what I am getting at. It happens the chief surgeon in the Burma theater during World War II was Dr. Ravdin, who is the dean of the University of Pennsylvania Medical School, and who did extremely good work both in Burma and in the United States.

Mr. RUSK. Yes. They provided a hospital in World War II which did a splendid job.

Mr. MANSFIELD. A very good job and a very great doctor.

Mrs. BOLTON. All my life until 2 years ago, India was in the Far East. Then I suddenly discovered it had been added to the Near East. I am hoping this will give me opportunity to go out there some time.

Chairman RICHARDS. Thank you very much, gentlemen. The committee stands adjourned until 7:30 tonight.

(Whereupon, at 5:40 p. m., the committee adjourned until 7:30 p. m., the same day.)

(Prepared statement of Mr. Griffin is as follows:)

STATEMENT OF R. ALLEN GRIFFIN

BACKGROUND OF PROGRAMS

ECA programs are operating in six countries in the Far East at this time. They were initiated in three stages:

(1) The operation in China (Formosa) was originally derived from the Foreign Assistance Act of 1948.

(2) Programs in Burma, Indochina, Thailand, and Indonesia were instituted in 1950 as a result of funds made available by the China area aid provision of the Foreign Economic Assistance Act of 1950.

(3) The Philippine program is new, resulting from the recommendations of the economic survey mission to the Philippines published in October 1950. This led to the President's decision to propose to Congress an aid program for the Philippines if the Government of the Philippines would meet certain conditions prerequisite to basic economic improvement. The Foster-Quirino agreement resulted, and the Philippine Government substantially met its provisions. Funds to initiate a program before the end of fiscal 1951 had been made available in January this year by the transfer of 3 percent of ERP funds to the "general area of China."

Title III also includes programs proposed by the Department of State for India, Pakistan, and certain other countries of south Asia, in which ECA fully concurs. This presentation, however, will be limited only to the countries in which ECA programs are presently operation.

AIMS OF PROGRAMS

The United States economic aid programs in southeast Asia are essential tools of United States foreign policy. The freedom and independence of the countries of southeast Asia are vital to the United States for many reasons: economic, military, and political. The United States seeks to win the confidence of the countries of that area and to so strengthen them that they will be able to maintain their independence, develop their resources, and resist internal and external pressures. Today, most of the countries of that area are too weak internally to stand without outside support. Four of them are newly independent, with little experience in self-government. All find it difficult to perform the government services and create the institutions that are necessary in a modern state if the needs of the people are to be met in reasonable degree and a foundation for economic development is to be provided.

Several of the governments of southeast Asia were not certain of the motives of the United States in proffering aid. They were tempted to believe that acceptance of United States aid might result in domination.

Our problem therefore—and likewise our aim—was to build strength and earn confidence simultaneously—to win confidence by the way in which we extend aid.

No modern, self-governing state—and especially no state with a democratic form of government—can maintain itself and develop its resources unless it performs a minimum of public services in the fields of health, agriculture, education, and technical training, transport and communications, industry, and over-all economic planning and prospecting. The countries of southeast Asia, though richly endowed with natural resources, are acutely deficient in these public services and in the technicians, equipment, procedures, and institutions for carrying them on. The very first step in any program of economic development designed to increase production and standards of living must therefore be the organization and maintenance of self-sustaining public services.

Accordingly, during these first several months of operations in southeast Asia, ECA has tried first and foremost to help the governments establish or improve essential services and institutions, create planning agencies, initiate surveys and pilot projects—and thus to lay a foundation for economic development.

It was no accident that this was also the appropriate way to go about earning the confidence of governments—for these were and are the problems with which the governments of the area are overwhelmingly concerned.

HOW WE HAVE GONE ABOUT CARRYING ON PROGRAMS

The first step in initiating aid programs was the negotiating of bilateral agreements; the second was the establishment of a special technical and economic mission (STEM) in each country—for the aid program in each country is built

brick by brick out of the recommendations of the mission. The mission's recommendations in turn are arrived at as a result of joint study and consideration between it and the government.

The countries of southeast Asia established governmental machinery to work with the STEM's in the development of aid programs. For example, in Burma there was established what is known as the Burma Economic Aid Committee, which consists of principal officers of the Burmese Government departments concerned. The committee meets twice monthly with the principal officers of the STEM. All aid proposals prepared by the Ministries are jointly considered, screened and transmitted to ECA/W for consideration and final action. Similar machinery was established in the other southeast Asia countries.

THE COUNTRY PROGRAM

The need of any country for public services and economic development must be met primarily through the most efficient use of its own resources. In addition, various kinds of outside aid may be available—ECA aid, Export-Import Bank loans, International Bank loans, UN technical assistance, aid from the Commonwealth under the Colombo plan. In our view it is highly important that all of the resources, domestic or foreign, available to each country be used in the most efficient and effective way. It is for this reason that we prefer, to the fullest extent possible, to fit our aid into a country program or national plan for the use of a country's total resources. It is only through the drawing up of a country program that the total needs of a country in all fields can be comprehensively surveyed and balanced against all resources available, and the most effective plans possible laid for their use.

The ideal of a country program has not been reached in any of the countries in which we operate. Nevertheless the machinery established in each country for working with ECA is to a degree serving as a general planning and coordinating agency, and we hope that in time genuine country programs will emerge.

THE VILLAGE—LEVEL APPROACH

Although the programs are planned with government agencies, we have been greatly concerned that they should directly and favorably affect the masses of the people living in the villages. It is there that one finds the unrest and the roots of political instability. It is of importance therefore that programs of economic development be concerned first and foremost with the people of the villages and derive their inspiration from the village level. We have used and are using our influence as much as possible to see to it that aid programs genuinely try to solve the problems of the rural masses and promote a broad base of popular support for democratic government. Thus, our health programs emphasize the mobile health units, clinics, and rural health centers; agricultural aid stresses a wide range of extension services; and industrial planning includes the development of small rural industries.

COORDINATION WITH MILITARY ASSISTANCE

In four countries, Formosa, Indochina, Thailand, and the Philippines, not only are ECA programs under way but also military assistance programs, the latter being administered by United States military assistance advisory groups. In Formosa one of the principal objects of ECA aid programs is to help relieve the inflationary impact of the defense effort which the Nationalist Government of China, with extensive United States assistance in the form of military equipment and supplies, is maintaining. Both in the planning and conduct of programs, in Washington and in Formosa, there is close coordination between the ECA program and military assistance. In Indochina, Thailand, and the Philippines, the inflationary impact of military programs is far less and the same degree of meshing of programs is not necessary. Nevertheless, in Indochina, Thailand, and the Philippines, close relations are maintained between the STEM's and MAAG's and there is frequent opportunity for inclusion in a STEM program of projects that are likewise useful for over-all military strength, as, for example, aid to highway building in Indochina and Thailand, and attention to refugees in the war zone in Indochina.

COUNTERPART FUNDS—SALES PROCEEDS

The device of counterpart funds, which was developed in connection with the European recovery programs, is likewise used in our programs in southeast Asia but not as uniformly, for the need in SEA is quite different from that in Europe. In Europe, the raising of local currency revenues to finance essential services and needed national projects was no problem. What Europe needed primarily was dollars to pay for urgently needed food, fuel, and raw materials that could be bought abroad only with dollars. The problem was essentially a balance of payments problem, and the ERP was essentially a supply program, with European counterpart funds then being used for needed projects and for other purposes mutually agreed upon. In SEA problem, the need, and consequently our programs, are quite different. In SEA the governments need immediately to institute projects and build essential services for which they may or may not be able to raise local currency revenues.

All SEA countries are not therefore required to put up counterpart funds on a commensurate value basis. In Indochina, for example, the new Government does not have the revenues needed to inaugurate the services that are necessary if the Government is to attract and maintain popular non-Communist support. The ECA program therefore includes the importation of substantial amounts of essential civilian supplies that are then sold for local currency. The sales proceeds so generated are then put in a counterpart fund which the local governments and the ECA jointly use to pay the local costs of needed projects. The Burma Government pays for part of the local costs of the programs from tax and other revenues, having only a modest commodity import program to generate the remainder of the local currency for needed projects. The Philippines program has a substantial commodity program, and Formosa has by necessity the largest commodity import program of all. Programs in Thailand and Indonesia are on a commensurate value basis, with each United States dollar of aid matched by local counterpart put up by the recipient government. Our programs there do not generate sales proceeds.

In southeast Asia there is no question whether the countries are making a maximum effort at self-help as a condition of our aid. By the very nature of the programs—which are built up of specific, agreed projects—we are merely helping the SEA countries with their own national efforts. Commodities supplied are either directly for the use of governments, or for sale, with proceeds used by governments for specific, agreed projects.

SPECIAL PROBLEMS

It is appropriate to mention briefly just a few of the problems which we have run up against. Take the matter of distance and transportation. Southeast Asia is on the far side of the world from here, and shipping service is slow and relatively infrequent. Consider likewise the difficulties of acquiring competent staff. The climate, the language, the remoteness—these are factors which prospective candidates have had to take into account. We have recruited excellent people and we believe our STEM's are now well manned, but for the most part we have had to go after them. Problems of housekeeping, such as the finding of office space and housing, which are relatively simple in many other parts of the world, assume great proportions in many parts of SEA.

After the arrival of staff members, working procedures have had to be developed in each country. The problem was not just a simple one of having proposals for United States aid directed at us but of helping the countries themselves work up the projects. Shortage of technical and administrative skill being of the essence of their difficulty, we have had in practice to help remedy it by working up projects in close cooperation.

Finally, consider the difficulties of procurement that developed just as we were initiating our programs in southeast Asia a year ago. The relatively small needs of our ECA programs in southeast Asia for equipment and supplies have had to compete since the beginning of the Korean War with mounting United States war orders, with United States civilian consumption, and with the greatly enlarged European rearmament program. As a consequence delivery dates have frequently slipped. Nevertheless, today the pipelines are filled and difficulties of supply on most items are being overcome.

RESULTS OF FIRST YEAR OF OPERATIONS

It is perhaps too soon to assess with any degree of confidence the first year of our operations in southeast Asia. The fact that we have had authority to operate

there for a year does not mean that we have had any substantial programs going for a year. The programs have developed fairly slowly for reasons already indicated.

Nevertheless, it is possible to indicate some real accomplishments. In the first place, we are beginning to win the confidence of the Governments and peoples of southeast Asia. In Burma, in Indonesia, in Indochina—where suspicion of the motives of the westerner is an understandable legacy of colonialism—we have rolled up our sleeves and asked of governments how we could help them solve their most urgent problems. This approach has been on the whole rewarded by an increasing cordiality, trustfulness, and cooperation which cannot fail to lead to better understanding between our countries. We are, of course, no strangers in the Philippines and Formosa; during the past year our increasing understanding of their problems and aid in their solution have cemented even more closely our relations. In Thailand cordial relations have grown even more cordial.

These questions of confidence, of course, are extremely difficult to gage but we think that by this measure alone the programs we have been carrying on in southeast Asia have been worth a great deal to the United States Government.

It is likewise difficult to measure the extent to which we have strengthened the governments of southeast Asia during the first year of operations. Certainly not a great deal visibly or tangibly. But, regardless of tangible or visible achievements, the very fact that a United States special technical and economic mission was in each country, equipped with the instruments of aid, and ready to help, has been of psychological value in strengthening governments and in stabilizing political situations.

There have also been certain definitely tangible accomplishments.

In Formosa, where we have been operating a program since the spring of 1949, the benefits of a well-thought-out and implemented aid program are evidenced by the order and the controlled economic situation that prevail there. Formosa is a directly threatened country sheltering a large army and a half million refugees, with a huge defense burden. And yet, not a single guerrilla band operates in the island. A man can go anywhere with confidence in law and order. The farmers, aided by recent land reforms and other agricultural programs, are contented; and threatening inflation has been largely kept under control. There is no question that, had it not been for ECA aid in bringing supplies and aiding the increase in local production, inflation in Formosa would be mounting so rapidly as to jeopardize military effectiveness, and economic collapse would have taken place.

In the Philippines, the improvement that has taken place in the economic and political climate in the past several months, accompanying the first reform legislation passed by the Philippine Congress in anticipation of United States aid programs, has been measurable and gratifying.

In other countries one can point to examples of specific projects under way without being able as yet to assess their impact.

In Indochina ECA supplies have enabled the governments to demonstrate to thousands of war refugees that they would be taken care of when they were dispossessed and impoverished by the Communist rebels. A refugee housing project in Saigon is demonstrating effectively the same point, while ECA aid to highway construction has been of great value both to the civilian economy and to the military operation. Burmese medical services and public-health facilities, almost completely destroyed during the war and the transition to independence, are being rehabilitated with American supplies and the help of American technicians. The latter have been on the spot only a few months and they have already made a wide and favorable impression. The commodity programs in Burma and Indochina have already resulted in the creation of the counterpart funds that are now providing revenues needed by the governments to carry a variety of greatly needed services. A malaria-control program is well under way in Thailand and an extensive highway program is getting under way in anticipation of the arrival of ECA-supplied highway-building equipment; and the railway repair shops are now rehabilitating engines and freight cars with ECA-supplied machinery.

As already indicated, it is too early to judge results of our programs in most SEA countries. In many of the countries, the ECA programs are the first United States Government operations of any size. I can tell you that we are learning about as much from them as they are learning from us. We are learning first and foremost how complex are the problems facing the leaders of these countries. We are learning humility in approaching their problems, and that may be not only the beginning of wisdom, but of genuine friendship.

What we have brought to SEA in the first year I would consider to be chiefly the hope and expectation that has accompanied the establishment of our programs.

PROSPECTS FOR FISCAL 1953

It will nevertheless require more than hope to carry the countries of southeast Asia through the coming year. It will take increasing real strength.

In the year ahead the pressure of the Chinese Communists in southeast Asia is likely to increase. This will be true especially if there is a cessation of hostilities in Korea. Internal pressures are also likely to increase in a number of countries. Lawlessness and disorders are serious problems in Burma and Indonesia; the end of the Communist-led rebellion in Indochina is not in sight; Thailand will probably continue in a state of tension; unrest and rebellion have been somewhat abated in the Philippines in recent months, but the situation is far from safe. The fight in Formosa against runaway inflation will continue to be tough and go.

The prospects are thus for another difficult year ahead.

United States aid programs, though marginal in nature, will be in better position to aid the governments of southeast Asia resist pressures that threaten their independence. Our missions will be fully manned. The pipelines are filling and the arrival of United States equipment and supplies will certainly be much more satisfactory in quantity than during the past year. Increasing numbers of technical experts are arriving to help get needed projects underway. The projects should begin to bring tangible benefits to the people—and this should impart strength to governments.

We believe the strength that can be mustered in southeast Asia will be adequate to enable successful resistance to expected pressures.

That strength will be much more easily mustered if we can succeed in convincing the governments and peoples of southeast Asia of our genuine interest in their achieving economic independence as to the companion piece to political independence. This we must in some manner manage to convey to them. One way of doing this is by continuing present programs of grant aid. But more is needed. They need assurance of a flow of capital for diversified economic development. And they need assurance that dollar aid, dollar loans, and their own dollar resources can be translated into physical supplies, equipment, and technicians. This means their needs must be accorded high priorities in the United States market.

The issue with which we are dealing is whether the countries of non-Communist Asia can become strong and self-sustaining assets in a free world. This depends in large measure on whether the West can win the friendship of the countries of Asia and channel to them enough of the missing components of strength to permit them to develop their own latent strength. This issue will be with us for many years, but the year ahead will be one of the hardest to weather successfully. We will need all of the tools we can get for the task.

The stakes are of great importance. Southeast Asia dominates a corner of the world and controls the passages and communications between the Pacific and Indian Oceans. It is a producer of vast quantities of vital raw materials, greatly needed by the free world. It is a potentially rich area. Its peoples are capable, with our understanding and with our moral and physical assistance, of developing it and of reaping the great rewards of that development.

NIGHT SESSION

The committee met in the House Foreign Affairs Committee room, the Capitol, at 7:30 p. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please. We will continue hearings on the Mutual Security Program legislation. Our first witness is our colleague, Representative Kenneth B. Keating, of the State of New York.

Mr. Keating, we will be delighted to hear what you have to say. Will 15 minutes be sufficient?

**STATEMENT OF HON. KENNETH B. KEATING, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. KEATING. Fifteen minutes will be fine.

Chairman RICHARDS. That will be fine.

Mr. KEATING. I am perfectly willing to be interrupted at any part of the proceedings.

Chairman RICHARDS. State it in your own way.

Mr. KEATING. I have requested this opportunity to be heard in order to discuss with you certain aspects of the proposed military assistance program, relating especially to its administration. I speak not as a Member of Congress, but as a former member of the armed services who had assignments from time to time pertaining to the administration of the lend-lease and reverse lend-lease programs during World War II, which I consider in some respects the counterpart to the present military-assistance program.

The International Division under the Assistant Chief of Staff for Matériel (Gen. Lucius D. Clay) in the service of supply was the staff organization which handled the planning of military lend-lease. I served for about 1 year in Washington in the Requirements and Assignments Branch of this Division.

This Branch specifically was charged with assisting foreign countries in programing their requirements and acting as a secretariat for the Munitions Assignments Committee, which divided American arms production between our own forces and the foreign beneficiaries of the Lend Lease program.

In March 1943 I was ordered to India where I spent nearly 3 years in the China-Burma-India theater. During the first 6 months of this tour of duty my principal assignment was to endeavor to increase the flow of reverse lend-lease from India of indigenous materials to supply United States and Chinese forces. To assist in this effort, an Indian Munitions Assignments Committee was set up with Indian, British, and United States Army representation.

Thereafter, following transfer from United States to an Allied command when the southeast Asia command was set up, part of my duties were in connection with the screening of British requests for lend-lease equipment to supply their troops serving in Burma and the Far East.

On the civilian side there was an organization set up known as the Office of Lend-Lease Administration, which handled requests of our Allies for items of civilian procurement deemed necessary to the prosecution of the war effort. The exact administrative structure has passed out of my mind, but I believe the Foreign Economic Administration was an offshoot of or successor to Office of Lend-Lease Administration and it had missions in various countries which worked in cooperation with the military authorities but which were not under military command.

While there were the usual number of headaches and conflicts, mostly of a trivial nature, the set-up I have outlined worked very satisfactorily. It would have been unsound, unworkable, and perhaps disastrous to have vested the administration of the military lend-lease program in the hands of the civilian agency and probably the converse is true.

The formulation of requirements for supply of Allied troops, the division of short-supply items between Allied and United States forces and among Allied forces inter se and, conversely, the acquisition of indigenous products from foreign countries for use by United States and other Allied forces were all essentially military problems. It would have been impossible for a civilian agency to have handled these matters.

Furthermore, many, many millions of dollars were saved to the American taxpayers by reason of the fact that the military officer charged with procuring items of indigenous production from the Indian Government, at that time dominated and widely staffed by British officials, was also the military officer who passed upon and screened requests of the British for supply of their far eastern forces, and without whose approval assignments of such material would not be authorized in Washington.

It frequently developed that, whereas we were first told that the civilian economy of India could not endure the strain entailed in the production of a certain military item requested by the United States forces, a different attitude was encountered later when it was felt that some footdragging ensued regarding the approval of British requests from American production.

I do not mean to imply that there was any active friction between British and American forces. My own experiences with British officers were in nearly all instances pleasant and satisfactory.

But the fact remains that, had we not possessed the leverage inherent in our responsibility for approving British requests for equipment from the United States, the volume of reverse lend-lease from India would have been greatly reduced with the consequent greater drain upon United States resources to supply the items and the increased burden upon American taxpayers through being required to put up the money for the items rather than to have their cost credited against a much larger lend-lease account.

My experience, therefore, leads me to recommend in the strongest terms that authority be granted to the Defense Department exclusively to handle the program of military assistance and that the Defense Department be granted at least a powerful voice through veto power or otherwise, if not exclusive jurisdiction over the program for enabling our allies to assist in the common defense effort.

My understanding is that MDAP is now handled through the appropriation of funds to the President, who turns them over to the Secretary of State, who in turn parcels them out to the Defense Department. It strikes me that this method of operation is unnecessarily cumbersome, time-consuming, and expensive.

Worse than that, if our country should be faced with a Pearl Harbor and forced to forsake its present relatively leisurely course for immediate action, the present method might result in fatal delays in the achievement of our objectives.

I confess unfamiliarity with the detailed method of handling this program. But I do feel strongly that it is a serious matter upon which this committee should take testimony to see whether the existing method entails a waste in man-hours or a costly time lag.

As to the latter, it should be borne in mind, it seems to me, that probably items of military procurement are not now being taken off

the shelf and that there is a necessary lapse of time in any event in getting them into full procurement.

What the committee needs to do is envision the situation which hereafter will exist when new procurement is going full blast and determine whether the procedures set up are best designed to get the items involved into the hands of the fighting forces of our allies or whether the paper work is such as to cause the program to bog down seriously just at the time it may be most needed.

If an all-out war should develop within the next year or two, it might be fatal to its successful prosecution as an allied effort if it were necessary to go through all the red tape of State Department and possibly ECA—or its off-shoot—clearance, as well as Department of Defense and then individual service clearance before a bullet could be sent to Belgium or a tank to Turkey.

I do not know how extensive an organization has been built up in the Department of State to handle MDAP. There may be factors with which I am unacquainted which make it desirable to vest in the Secretary of State partial responsibility for the administration of military assistance.

But I view with misgivings the constantly increasing trend toward converting a traditionally policy-making department into an operating agency. Particularly does this hold when the operations in question pertain to the defense and security of our own country, which furnishes the only justification, in my judgment, for embarking upon a program of military assistance to other nations.

While the Department of State, no doubt, should be kept informed in a general way regarding the military build-up overseas, I can see no reason for that Department to be concerned with the details of administration. Not only does that necessarily result in wasteful overlapping of functions and needless delays but also in wider dispersal of the security risk, an important element in this field.

There is another practical consideration of which this committee may feel it proper to take cognizance. Without leveling any accusations and refraining from any discussion of the justification or lack thereof for the prevalent feeling, it is an undoubted fact both public and congressional confidence and support for the program of military assistance will be enhanced if the measure which we pass clearly provides that the administration of the program will be a Defense Department rather than a State Department responsibility.

Many eminent authorities, I understand, advocate the creation of a new agency to take over all foreign aid programs, both economic and military. There may be merit in a closer integration of the various plans for economic assistance which, I assume, will be drastically reduced both on account of the improved condition of recipient countries and the necessities of the tense world situation, which require that the aid we furnish now must be primarily of either a direct or indirect military character, meaning by that either direct assignment of equipment and munitions of war or assistance in increasing the capabilities of other nations to build up their own military potential.

But I can see no necessity for or desirability in transferring to any such newly created agency the responsibility for essentially military programs. Reliance must be placed on those who, by training and

experience, are best equipped to deal with the problem, namely, the Army, Navy, and Air Force personnel.

Although a new agency probably would command greater confidence than the Department of State, any administrative set-up which envisions double screening and paper work seems to me undesirable and unnecessary.

No doubt there are in Government service now, notably in ECA, many capable men and women who have specialized knowledge regarding the contributions which other nations associated with us could make to the over-all defense picture. Their advice would be of inestimable value in determining just how far it is appropriate and desirable for us to go in insisting that indigenous materials and labor in the various countries be utilized in the common effort.

This corps of trained personnel, for instance, can render invaluable help in arriving at the correct conclusion as to how these air bases which are being distributed all over the world are to be constructed. Insofar as it is possible, they should be built with indigenous materials and labor. To the fullest extent feasible, French francs, not American dollars, should be used to build airfields in France.

If these trained people cannot for some reason be transferred to the Defense Department, there should, of course, be the closest kind of a working arrangement to take advantage of their specialized abilities.

But the final decision in these matters should rest with the same persons who are going to decide the amount and type of military equipment and weapons which will be transferred to the beneficiary countries. I am convinced, from personal observation and experience, that such a centralization of responsibility is essential to the success of any plan and the proper safeguarding of the interests of the American taxpayers who must foot the bill.

I am satisfied that the concept of collective security is sound. From every point of view, not the least that of the American taxpayer, it is desirable that we should divert a portion of our defense budget for the purpose of helping to arm other countries whose aims and principles and whose determination to resist aggression coincide with ours.

From the dollars-and-cents standpoint alone, it is infinitely cheaper to arm and equip a French, Italian, or British division than it is an American division. For the success of the venture, however, it is imperative that any program have the widest possible public acceptance.

It will facilitate the achievement of that objective, in my judgment, if we make sure, in framing the legislation, that we fashion a measure which is administratively sound and which gives effect to our previous experience under the lend-lease and reverse lend-lease programs.

Chairman RICHARDS. Thank you, Mr. Keating. That was a very thoughtful statement. I appreciate it's coming from you, particularly in view of your military service.

What was your rank in the service?

Mr. KEATING. I was a colonel when I left the service. I am now a brigadier general.

Chairman RICHARDS. You outrank Mr. Mansfield. He was a sergeant.

Mr. CHIPERFIELD. I was a private.

Mr. KEATING. I have enjoyed both Mr. Chiperfield's and Mr. Mansfield's ranks at varying times.

Chairman RICHARDS. Now I believe the defense proposal for this fiscal year will amount to about \$60 billion. Do you believe that this proposal for military assistance, this part of it, will amount to something over \$6 billion as proposed?

Mr. KEATING. That is on top of the \$60 billion?

Chairman RICHARDS. That is right. Which is about 10 percent. Do you feel it is a reasonable sum to spend for collective security abroad?

Mr. KEATING. Well, I haven't given it thought in a percentage relationship. My feeling is perhaps colored somewhat by the fact that I was in the middle of this activity in the last war. I think it is money well spent to take a part of the total amount that we can afford to spend for arming ourselves to assist in arming those who are friendly with us.

I wouldn't be prepared to say what that percentage should be. Certainly it doesn't sound out of the way to put it in that way, I would think. But I haven't studied the amount sought sufficiently to be competent to answer that, really. We must always consider, of course, the imperative necessity that we maintain a sound economy.

Chairman RICHARDS. Well, Mr. Keating, we have heard from a good many witnesses here, and we have learned that they think that the military end item of it, such as for use abroad in this program, and economic aid that would increase military production over there, are closely akin. Naturally, we want to get the recipient countries to contribute themselves so that we may not have to furnish so much military aid.

Do you think that feature should be under the armed services too?

Mr. KEATING. I would prefer to see the armed services responsible for increasing the military contribution of our allies. I think they would do the best job.

There is a certain amount of trading in that, as I brought out in my statement. We do want to have them do everything that they possibly can be convinced they should do. And one method of convincing them is by the old Yankee trading system. In my experience that was the most effective way that we really built up the reverse lend-lease of India to a sizable figure. I don't say that is the only way; that wouldn't be quite fair.

Chairman RICHARDS. It is a lever that should be used?

Mr. KEATING. It is definitely a lever that we should use, and we should be fair but should be very firm in our dealings with our allies in that regard. Whoever has the final say on the one should have the say on the other. Or at least there should be such a close working arrangement that it amounts to that in effect.

It is possible that you could have the military authorities who are actually charged with assigning the end items make that decision or have them simply have a veto power on that, so that foreign nations—nation X, for instance, that wants so many guns, needs them for their forces—will realize that they are only going to get them if they take certain action as a part of the price, which we must always be fair about and measure within their reasonable capabilities.

Chairman RICHARDS. Thank you very much.

Mr. Chipperfield?

Mr. CHIPPERFIELD. You have made a very fine statement, Mr. Keating. I think we all have the same objective, and that is to get

a good job done. Mr. Hoffman and Nelson Rockefeller suggested a single agency to handle the military and economic parts of this program. You suggest the armed services might do it.

Mr. KEATING. The armed services, Department of Defense.

Mr. CHIPERFIELD. If I understand your statement correctly, you would want to take advantage of the existing civilian personnel under ECA and work those into the program somewhere?

Mr. KEATING. Yes, I would,

Mr. CHIPERFIELD. Now we also have under this program point 4, the Far East and Africa and Near East. You would not have the armed services handle that end of it, would you?

Mr. KEATING. No, I would not; nor do I believe the armed services would want it either.

Mr. CHIPERFIELD. No, I agree. Strangely enough, there is more ECA aid per se in this program than you would think, rather than just ECA to help the military, production, because of the fact that if a foreign country increases its military effort the dollars that they use in that effort have to be made up some other place out of the general economy.

Now I do not know whether the armed services would be the best agency to handle that kind of thing or not. I am just wondering what your opinion on it was.

Mr. KEATING. I would not think they would be equipped to handle what was purely economic aid.

Mr. CHIPERFIELD. Economic aid, per se.

Mr. KEATING. I had in mind that economic aid breaks itself down into two categories, and the purely economic aid I would think would necessarily be reduced almost to the vanishing point now.

The other type of economic aid, to assist them in their contribution to common defense effort, I believe the military could handle.

Mr. CHIPERFIELD. I thought so too, but ECA as I say, per se, is about to end. But I find that according to the views that have been presented to this committee, because of the extra additional effort to increase military production, there is a feeling that general economic aid is still necessary in many instances.

What I thought we should do is have specific economic programs that would aid the military production, for example signal equipment; they may need raw materials, the same with radar. But ECA still clings to general economic aid. And I am, as I said before, wondering whether the Armed Services would be the best agency for that.

Or would it be better to have a single agency like Mr. Rockefeller suggests, or Mr. Hoffman suggests, that would take all the economic phases, point 4, ECA, maybe Import-Export Bank loans, and so on, and have them all under one agency, and then have cooperation with the Armed Services and let them handle the purely military.

Mr. KEATING. Well, I would urge in any event that the final word on the assignment of military equipment be left with the Defense Department.

Mr. CHIPERFIELD. Well, I feel that everybody who has been before us wants to leave the military end items and all that kind of thing to the Military Department or Armed Services. I don't think anybody suggests the military end should be taken from the armed services, but there should be close cooperation, and maybe one agency have the

final responsibility of bringing the economic and the military programs together.

Mr. KEATING. Well, I recognize the eminence of men who have recommended the creation of a completely new agency, and I have great respect for their ability and experience. I have not myself been sold on the necessity for that single new agency, but I do not consider myself fully informed or by any means an expert on it.

I would not want to leave to that new agency the final say on the military assistance.

Mr. CHIPERFIELD. One final observation. Of course the time element is involved here, and if we were to create a new agency that would disrupt our aid for a considerable period of time, we have to take that into consideration, and whether or not we had not better just go along the same lines which have worked pretty well with ECA and the armed services, we at least ought to give that consideration.

Mr. KEATING. And your point 4 and other additional items are now handled by the State Department; is that right, or is that ECA?

Am I right, John, it is handled separately, the point 4? It is under the State Department. But I think ECA officials do not handle that directly, as I understand it. I think they have their own set-up.

Mr. VORYS. Where there is both point 4 and ECA, ECA handles it; where there is only point 4, the State Department handles it.

Chairman RICHARDS. Mr. Gordon?

Mr. GORDON. Thank you, Mr. Keating, for your appearance. I have no questions at this time.

Mr. VORYS. Mr. Keating, you have told about your experience. Was your experience military or civilian prior to that?

Mr. KEATING. It was entirely civilian.

Mr. VORYS. I know that you did efficient work, but was there anything about this soldier suit that you put on that particularly colored the type of service you rendered when you went in green in the Service of Supply?

Mr. KEATING. Yes; there was. Because I was under military command, and I was under some very able Army men. I do not know enough about guns and ammunition to stick in your eye, myself, but I did know a little bit about horse trading. And under the direction of very able senior officers I could assist them with the problem.

But I feel confident, not because of my own abilities but because of my suit, if you want to put it that way, and the great abilities of my superior officers, that we could do a very much better job than any civilian group I have ever encountered in any department of the Federal Government could do under similar circumstances in inducing our allies to increase their military output.

Now I do not want to disparage the fine work of the Foreign Economic Administration, which worked with us out there.

Mr. VORYS. You are wrong in your history, the ancestry of that agency. It was a successor to BEW—Board of Economic Warfare—and that became FEA. Henry Wallace headed BEW and that became FEA. But lend-lease, I think, continued through to the death, to the end of the war.

Mr. KEATING. Then I am mistaken when I say lend-lease had missions around the country. It was FEA that had the missions.

And it had no connection. I accept your explanation, because I was not familiar with that. It had passed out of my mind.

But they were concerned with assisting the countries out there with civilian items that they needed.

Mr. VORYS. Well, you remember that at all times lend-lease had a civilian head.

Mr. KEATING. That is right.

Mr. VORYS. Who was an independent officer under the President? What would you think of that as a pattern for this thing, based on your experience?

Mr. KEATING. Well, that was Mr. Hopkins; was he not the head?

Mr. VORYS. Mr. Stettinius, until he became Secretary of State. Then Leo Crowley.

Mr. KEATING. I just do not think, from my experience, that they would be hard-boiled enough in dealing with these other countries that we have to deal with. I believe that the Army authorities would have to be shown, and they have demonstrated that they have to be shown, before they take action, a little bit more than the civilian agencies have. Furthermore, the military are the only ones who possess the technical know-how to do the job and I am not convinced that there is need to create another layer above them with all the red tape that entails.

Mr. VORYS. As you no doubt have been told by others, the procurement of military equipment is under the defense agencies in the military, under all the proposals before us.

Mr. KEATING. No; I do not know that.

Mr. VORYS. Yes. But even the military procurement under the appropriation that the President siphoned into the State Department, is procured by the Defense Department, and the end items are substantially the same as we get for ourselves.

The problem comes when the question is whether you should have—let us say ship over small-arms ammunition to France or set up a small-arms ammunition plant in France. It is at that point that it has been urged upon us that the military would not be the best deciders.

And I may say this from our experience in this committee, and I think in Congress generally: We have not found that the military in negotiating or in spending money were any more economical than these civilian agencies. We possibly found that that was the case.

Mr. KEATING. Well, I have been critical of the military on the same basis. But I can speak not only from my own experience, but from that of others who were associated in the handling of the lend-lease, reverse lend-lease programs, I think we often do not realize the extent of reverse lend-lease during World War II. And I sense, perhaps without justification, a spirit now which inclines toward having Uncle Sam do it all, without having the other nations do what I would consider their fair share. I believe that the military might be a little tougher in having them do their full share than a civilian agency.

But that again gets back largely to a matter of administration. I had not heard of this idea of setting up a new administrator right in the White House, you might say. I think perhaps for over-all direction, that might have some merit.

Chairman RICHARDS. Mr. Keating, we are under the 5-minute rule here, so I am going to let Mr. Mansfield have his say.

Mr. MANSFIELD. Mr. Chairman, I think it is especially important that we have such a distinguished statesman as our colleague from New York with us tonight presenting his views on this legislation.

Mr. Keating, it appeared to us who went to Europe last month, that there was a very close liaison between ECA, the military missions, and the ambassadors in the countries we visited. And as Mr. Vorys has brought out, the Defense Establishment does have the right to declare and to trace down and to produce the needs for the military, and those things to which the military missions are assigned. It is my impression that the military in those countries are the ones who are directly responsible for specifying minutely just what the needs of that particular country are. And so far as I know there has been no friction between these different agencies, but a great deal of collaboration.

In other words, the military seem to be satisfied with the situation existing.

Now, if you were to follow your conclusion through to its logical end, it would appear to me that in those countries you would place the head of the military mission at least on a par with the ambassador, and perhaps because of his power through the use of these huge sums of money, he would be in a more strategic and more powerful position.

Do you think that would be the right thing to have? You see this is not only military, but it is political as well, when you look at the over-all picture.

Mr. KEATING. I know. You have the double problem, or we do in Congress, before us. We must not look at it purely as a military proposition.

In the first place, I am delighted to hear you say that they do work in harmony, and that there is no friction. I would hope that that would continue after the program really got going.

I would not be concerned about the head of the military mission being as highly considered as the ambassador, and the various other questions. I am not much of a fellow for protocol. There might be repercussions from that that do not occur to me, but I would not be shocked at all to have them on a par with the ambassador.

Mr. MANSFIELD. What I had in mind, Mr. Keating, was this: You might find the head of the military mission with so much power in a particular country like Belgium, for instance—their request was something like \$450,000,000 this year—you might have that man, who I believe was a colonel, become the fellow to whom the officials in that country would go because of the power which he naturally would wield.

As it is at the present time, the ambassador in every country, men like James Bruce in France, James Dunn in Italy, and others are the ones who, because of their position, seem to have the final say.

Now, as you say, this collaboration and this good will might not exist forever, because it does appear to me that you cannot look at this thing alone from the military view, but you also have to consider the political conditions, if any, and keep in mind the position of the ambassador.

And I might say that on the basis of what I saw in Europe we have an extremely capable bunch of representatives there who get along very well.

Mr. KEATING. I have the highest regard for two or three, and I do not mean to eliminate the others whom I do not know personally. I appreciate that there may be force in what you say.

Do I understand that it is proposed that the ambassador in the country might have the final say on what would be sent to the country in the way of military equipment after taking advice from the military authorities?

Mr. MANSFIELD. Well, I could not answer that question specifically.

Mr. KEATING. I was wondering whether that was one of the proposals before you.

Mr. MANSFIELD. Oh, no. But in those countries the government therein looks to the ambassador as the representative of the American Government. I imagine that the ambassadors in each country are consulted, and they seem to have a pretty good grasp of the situation. And on the basis of their collaboration with the military and the ECA, so far as I have been able to find out, there has been no friction yet.

Now if you were to transfer the position which the ambassador has held, through decades, and have this put in the hands of a military man because of his power of the purse, so to speak, then you would create a situation which I think might have had repercussions.

I do not know, I am just throwing the thought out.

Mr. KEATING. I presume it would be vigorously opposed by the State Department. I expect that. As you know, I have been a supporter of the foreign-aid programs consistently, but I am critical of the lack of realism displayed at times by the Department of State in their dealings with our allies. I just do not think they are two-fisted enough in their dealings with the foreign countries. I think it has been demonstrated time and time again, and perhaps it is inherent in the art of diplomacy that you are more inclined to give in.

But it does seem to me that we give in too much. I do not want to get warmed up on that subject either, because it is a little bit apart from where we are. But despite the high regard which I have for two or three of the ambassadors in Europe whom I personally know, they have to think who is layered on top of them. And I would be afraid that the best interests of the American taxpayers would not be served by leaving the final say in their hands.

Mr. MANSFIELD. Of course we all recognize the fact that in our foreign policy today there has to be a close liaison between the military and the political, or the State Department.

Mr. KEATING. That is right.

Chairman RICHARDS. Mr. Carnahan?

Mr. CARNAHAN. I have no questions, Mr. Chairman.

Chairman RICHARDS. Mr. Burleson?

Mr. BURLESON. Mr. Keating, I just want to express my appreciation for your being here. Obviously you have given a great deal of thought to your statements—especially to the administration of this program, and I want you to know this feature has been a great concern to many of us around this table.

Chairman RICHARDS. Are you all Republicans or Democrats around there?

Mr. BURLESON. We are playing both sides.

Chairman RICHARDS. Mr. Battle?

Mr. BATTLE. Sir, I have no questions. However, I would like to say that I appreciate the testimony of the distinguished gentleman from New York. I know he has supported our foreign policy in the past, and I hope we will work out legislation in this committee that will be sound enough to merit his support this time.

Chairman RICHARDS. Mr. Hays?

Mr. HAYS. I would like to add my word of appreciation. I am sorry I could not be here to hear it presented, but I have read the statement of our colleague.

When you were in India, did you have an opportunity to study the agricultural situation there?

Mr. KEATING. Well, not very fully, but I saw what agriculture there was there to be pretty primitive. I did have occasion to be nearly all over India. I was not just stationed in one place.

Mr. HAYS. Assuming that we can work out a sound plan that embraces a certain emphasis upon fundamental agricultural change and advancement, would you feel that the Congress should get into that field for the purpose of stabilizing conditions in that critical area?

Mr. KEATING. In India?

Mr. HAYS. Yes. I have moved on the assumption that agriculture is basic in that part of Asia, and that their mixed economic and social problems are so complicated that we need to give more attention to it than we have. I am wondering if you can confirm that.

Mr. KEATING. Well, India is mostly desert, most of what I saw. Arid desert. Worse than any of our areas here.

Mr. HAYS. Well, of course then you have a reclamation problem, water resources. But in the areas in which there is fertility, or potential fertility—

Mr. KEATING. There have been wonderful jobs done by some of the missionaries out there, agricultural missionaries if you can call them that. One of them ran a school, wrote a number of articles when he came back, a man with a long name.

Mr. HAYS. Higgenbotham?

Mr. KEATING. That is the name. Reclaiming a lot of that land. But to try to get into that is just a stupendous task. Just stupendous. I am not prepared to say we should not make a start, but it is a long-range proposition.

Mr. HAYS. That is all.

Chairman RICHARDS. I know Mr. Hays is a very fine Member of Congress, but he has been accused at times of riding to his office in the morning on a cloud.

Mr. KEATING. Well, I am sure he is closer to heaven than almost any of the rest of us.

Chairman RICHARDS. I know if he rides on a cloud, I would just as soon be there with him.

Mr. HAYS. You cannot learn enough of these problems, Mr. Chairman, without getting altitude. You have to have a view of the whole landscape.

Chairman RICHARDS. What did Mr. Lanham say when I accused you of cloud riding?

Mr. HAYS. Modesty forbids my saying, but he stuck up for me.

Mr. VORYS. As our chairman said, as a good Baptist he may have his head in the clouds, but he has his feet in the water.

Chairman RICHARDS. That would not do him any good unless he goes all the way under.

Mr. Keating, I just want to ask one question: You do not think that, although you served in the Army as a general, you qualify as a brass hat?

Mr. KEATING. No. One-star generals are a dime a dozen and ex-generals cheaper than that.

Chairman RICHARDS. Thank you very much, sir. We appreciate your testimony.

Mr. KEATING. I appreciate the privilege of appearing before your distinguished and hard-working committee.

Chairman RICHARDS. The next witness is Mrs. Allen C. G. Mitchell, of the League of Women Voters.

Mrs. Mitchell, will you have a seat, please? Have you a prepared statement?

**STATEMENT OF MRS. ALLEN C. G. MITCHELL, A DIRECTOR OF
THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES**

Mrs. MITCHELL. Mr. Chairman, I have a short prepared statement, and I would be very glad if the committee would interrupt me at any time to answer questions, or afterward.

Chairman RICHARDS. Would you like to place your statement in the record and then have discussion? We have not had an opportunity to read it yet.

Mrs. MITCHELL. I think I would rather read it, if that is all right with you.

I would like to add just one word, though: We are very much aware of how much time you gentlemen have spent hearing experts, and we have the feeling that the main way that we in the League of Women Voters can be of assistance to you is to give you a bird's-eye view, you might say, of public opinion as we see it reflected in our membership.

First, I would like to say a word about our organization to give you a brief idea of the group. It is a nonpartisan organization devoted to developing informed and active citizens. We now have over 100,000 members, organized in 764 communities, in 43 States.

The league is supporting a program of economic and military assistance to other countries because we believe such a program to be basic to the present and future security of the United States. In particular, the league has given sustained attention to the North Atlantic Treaty Organization, the European recovery program, and assistance to underdeveloped countries by the United States and the United Nations.

We would like to see these three programs included in the bill which this committee will write. I should like to speak briefly first about NATO and ERP, and then at more length about aid to underdeveloped countries which our members believe should be emphasized at this time.

1. The League of Women Voters supports the North Atlantic Treaty, and that support is based on our conviction that collective security offers the best chance for a lasting peace. We have supported this treaty since 1949 when it became evident that efforts in the United Nations to create an effective security system were being blocked.

We regard the treaty as a necessary expedient and supplementary to the United Nations, but by no means a substitute. In April, at our national council, the delegates again discussed collective security problems. We favor the strengthening of the North Atlantic Treaty

Organization and supplying it with the necessary materials to enable the member countries to build and coordinate their defense effort.

2. The league endorsed the European recovery program in 1948 after prolonged discussion of the risks and costs involved. The evidence shows that the hopes of the program were realized beyond most expectations.

Exclusive of the accomplishments in the realm of industrial and agricultural production and increase in trade there are other favorable outcomes. The European recovery program has inspired the member nations to take bold steps toward the integration of their economies and toward closer political cooperation. The Organization of European Economic Cooperation, the Strasbourg assembly, the Schuman plan, the European Payments Union, as well as proposals for a European army represent significant advances toward a Europe capable of supporting and defending itself.

All western European nations, however, have not progressed in their recovery at the same rate. In some nations production still lags and the balance of payments problem is acute. Also, the living standard is still so low that many of the people remain discontented and are susceptible to totalitarian doctrines which seem to promise relief.

The existence of such problems warrants continued United States participation in European recovery. These nations now have the added burden of rearming to defend themselves against possible aggression. Without continued United States help, European nations would seriously jeopardize the economic strength brought about by their labor in the last few years.

The League of Women Voters, therefore, urges Congress to continue adequate appropriations for economic aid to Western European nations.

3. In the past 2 years the league has given much attention to the acute problems of underdeveloped countries, particularly their effect on the immediate security of the United States as well as our longer range plans for peace.

At our last convention in 1950, one of the three national issues chosen for concentrated attention was—

the expansion of world trade and international economic development with maximum use of United Nations agencies.

More recently at this year's council meeting the delegates were outspoken in reporting widespread support among the league membership for technical assistance to underdeveloped countries.

The support among our membership for this program of assistance to the underdeveloped nations is so great that I am including a few quotations from local leagues.

From Peterboro, N. H.:

The Peterboro league heartily endorses the point 4 program. It does not want to see the long-range objectives lost sight of in the defense crisis. It felt that the psychological value was as great as the strategic materials value if they must be balanced against each other.

The league believes—

I am still quoting the Peterboro, N. H., league—

that in spite of difficulties and complications due to the defense effort, the program should be carried out for the benefit of the peoples in the underdeveloped areas and in the hope that it will further the peace effort.

This is one from Lancaster, Pa.:

We feel strongly that a really bold and imaginative point 4 program is the most important challenge facing us. By far the strongest feeling—

that is what came out of the debate in this league—

was that the military aid program should not be allowed to disrupt economic recovery in Europe and that a strong point 4 program is the best containment policy in Asia.

From Yellow Springs, Ohio:

We believe that conditions in backward areas are an ever-increasing danger to world peace and would be so even if Russian imperialism should somehow disappear. Therefore, we feel that point 4 cannot wait until the emergency is over, but must be pushed immediately and vigorously.

Yellow Springs members are strongly in favor of our promoting the point 4 program largely by appropriating funds to be administered through the UN.

We support wholeheartedly maximum use of United Nations agencies.

From Pasadena, Calif.:

At a time when military measures are receiving primary consideration, we believe it is the league's function to emphasize the importance of international economic development as a means of promoting world stability.

From St. Louis, Mo.:

At a members' meeting in March, our league voted to ask national to be on the watch for point 4 legislation, and to support it in every way possible.

I have another one that is included here, testimony from Stillwater, Okla. And if you would like more, to give you an impression of the opinion from other regions, we would be very glad to give them to you.

But I think that gives you an idea how public opinion is running as we see it from our office. This whole international economic development program makes sense to our members. I am on page 4 now. I am cutting a little bit in view of the lateness.

Chairman RICHARDS. Those were the impressions you were talking about?

Mrs. MITCHELL. They were the impressions, and I thought in inserting them you would like to have them in the words of the people as we get it in our office.

Now I will just continue with the prepared text on page 4, the second paragraph.

This program makes sense to our members and we believe it has also caught the imagination of the American people. We agree strongly with the view expressed in the Rockefeller report, Partners in Progress, that the United States can no longer assure its own security with means found here at home. We need the underdeveloped countries, both economically and politically, and the peoples of those countries are anxious for a chance to help themselves.

We believe the United States should seize this opportunity for a mutually beneficial program. Such a program offers hope to the people of the United States, and, we would like also to point out, to the people of the free world, that we can in due course cope with our world-wide economic problems before we are overcome by internal or external attack or by the strain of arming against attack.

Communism has spread by exploiting the very real conditions of want which exist for the vast majority of people in the underdeveloped

countries and for the sizable group of underprivileged in certain developed countries such as France and Italy. The sound way to combat the Communist advance is for the free world to meet it squarely with a positive program to cut the ground from under its feet.

Fortunately, the free world already has a successful start on such a positive program through the activities of the United Nations and its specialized agencies, the United States point 4 program, and the Colombo program of the Commonwealth.

We have learned through experience with the European recovery program and in Latin America how to apply the techniques of mutual aid and self-help so that the contribution we make in personnel and in dollars can result in lasting benefits.

The technical assistance program is one that allows those who have skills and who have profited from the atmosphere of a free society to share those skills with others who have not had those opportunities.

The league is concerned that the technical-assistance program go forward as much as possible through the United Nations. We realize some of the limitations of the program progressing on a multilateral scale, but the League believes that the advantages outweigh the disadvantages.

Maximum use of the United Nations is efficient use of American money as it means sharing with other countries the burden of providing funds, equipment, technicians, and training facilities. Maximum use of the United Nations also has the advantage of counteracting the deep fear of recipient countries of exploitation by the economically developed countries.

The Congress and those who administer technical-aid programs should look with foresight to the increased use of the United Nations in carrying out these programs. It is gratifying that the rehabilitation programs for Korea and the Arab refugees are to be carried out through the United Nations. I emphasize the United Nations because the league believes that the foundation of American foreign policy lies in supporting and strengthening the UN whenever we can, and that without such an international body there is little possibility of maintaining international order.

Our success in maintaining the rearmament effort over the necessary period of years will depend directly on the success of economic effort of the free world. Furthermore, not only the rearmament effort but the present and future prosperity of the industrialized regions depends on the markets and raw materials of the underdeveloped regions, which are in turn dependent on us.

We see the interrelationship of these programs to the extent that one cannot succeed without the fulfillment of the other two.

One of the most difficult questions which the Congress must face in connection with this mutual security legislation is what is a sound division of funds and materials between the arms program and economic program. We fear there may be a tendency to sacrifice economic aid to the more obvious needs for military aid. We believe this would be short-sighted and in the long run perhaps disastrous. The importance of economic aid has been expressed by our members again and again, so I want to emphasize it to the committee.

The League is well aware of the strains which the rearmament effort is putting on the American economy with the consequent danger of inflation. In the modern world the price level is not merely

a domestic concern. Inflation here produces repercussions throughout the free world.

Our members have been active in urging the Executive and the Congress to support a firm program to control inflation, particularly stressing the need for a pay-as-we-go tax program, credit controls, and reductions in nonessential Government expenditures.

At the same time we are convinced that the United States must continue to fulfill its collective security obligations under the United Nations Charter and such regional agreements as the North Atlantic Treaty.

In the long run, a collective system of defense will be less costly to the United States, as well as offering the world its best chance of deterring aggression.

In summary, the League of Women Voters is supporting military aid to implement the North Atlantic Treaty, continuance of the European recovery program, and assistance to underdeveloped countries; and we are emphasizing the importance of the economic assistance and full use of United Nations agencies wherever possible.

We believe that the goal of world peace is to be won only through cooperative effort, and we are convinced that American leadership is imperative if this cooperative effort is to succeed.

Finally, we know that the United States leadership is the responsibility of every American citizen. The League of Women Voters, a citizens' organization, is concerned with the Government's role in national and international affairs, assures the Congress of its active and concerted support for these three programs of United States foreign policy. We ask that the bill which your committee reports make adequate authorization for their support.

Chairman RICHARDS. Thank you very much, Mrs. Mitchell. You have not only given us some good advice in the foreign-aid program, but in other aspects of this problem. We appreciate your coming before us.

Are there any questions from the members of the committee? Mr. Chipfield.

Mr. CHIPFIELD. No questions. Thank you for your statement, though.

Chairman RICHARDS. Thank you very much, Mrs. Mitchell.

Mr. BURLESON. I would like to say it is nice to see you again, Mrs. Mitchell. Although we have no one from your State on our committee, I have spent some time around the university at Bloomington.

Mrs. MITCHELL. We have a very active league in Texas.

Chairman RICHARDS. They join everything in Texas.

Mr. BATTLE. May I ask one question? Did I understand you, Mrs. Mitchell, to say that the League of Women Voters is willing to pay higher taxes in order to support some of these worthy programs?

Mrs. MITCHELL. Yes, I think we have a pretty good understanding as to some of the implications of the inflation program. We have had discussion groups, literally hundreds of them, throughout the country, which have gone into the detail of the relationship of taxes to inflation.

I think I can honestly assure you that our members understand that, and feel in the long run they would benefit more by paying the taxes than paying for the increased defense cost.

Mr. BATTLE. My ladies in Alabama know all about that?

Mrs. MITCHELL. If they are members of my organization, I think they do.

Chairman RICHARDS. I think the women understand the necessity of doing that a lot more than the men. If the ladies in Alabama do not know anything about your program, I wish you would inform them. Thank you very much.

The next witness is Mr. Lynn, of the American Farm Bureau Federation.

STATEMENT OF JOHN O. LYNN, ASSOCIATE DIRECTOR OF WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. I would like permission to have Mr. Gwynn Garnett come up and be with me.

Chairman RICHARDS. Mr. Garnett, will you come over? I do not believe Mr. Garnett was listed as a witness tonight. What is your position with the Farm Bureau?

Mr. LYNN. I am associate director of the Washington office of the American Farm Bureau Federation.

Mr. MANSFIELD. May I ask if Mr. Garnett is going to make the opening statement for both of you?

Mr. LYNN. I will make the statement.

Chairman RICHARDS. I notice you have a pretty long statement, and that you have a great many figures there. We would love to have them in the record, but I do not believe I would go over all of them.

Mr. LYNN. With your permission—I know you are pressed for time—we would be pleased to brief the statement orally and file it for the record.

Chairman RICHARDS. Without objection, that will be done.

Mr. LYNN. Communist imperialism has divided the world and jeopardized not only our peace, but also our way of life. During these critical times, major foreign policy decisions must be made. If these decisions are to be well founded and if they are to endure, they must come from the people. We all must put forth the maximum effort to insure that the average citizen has a basic understanding of the fundamentals of the economic and political problems that will influence the formation of our long-range economic development program abroad.

This statement will outline briefly the long-considered policy of the American Farm Bureau Federation as developed and expressed by the 1,449,000 member farm families. Time will not permit a discussion of the democratic processes by which these policies were developed and adopted; however, we should add that our membership reflects a broad basic understanding of some of the fundamental problems facing America in both domestic and foreign policy. Farm Bureau is pledged to a continued development of this understanding through the educational process.

A foreign-aid program of the magnitude under consideration by this committee must be most carefully considered and both its foreign and domestic effects appraised. The immediate future is, of course, of great importance to all of us, but so also is the direction taken. After all, this has implications for the indefinite future. Therefore, the program at the outset, must be sound. Without criticism of the past, it should incorporate the lessons learned from operating past

United States foreign-aid programs. From this point of view—and the whole of the American Farm Bureau policy regarding foreign aid, as well as inflation control—we believe it useful to attempt to set forth the objectives of United States foreign aid as clearly as we are able.

The following objectives must be achieved through mutual and cooperative efforts of nations joined together in common purpose, with United States exercising the leadership:

1. To build quickly sufficient military defense together with friendly nations to protect the anti-Communist bloc against aggression and even against the fear of such aggression in order to create conditions of confidence in the future.

2. To bring some immediate improvement of living standards and a hope for still better food, education, and medical care.

3. To achieve a great expansion in the capacity for producing food and consumer goods and services to provide improved living, directly and through international trade.

4. To show real evidence of progress in governmental undertakings within cooperating nations in order to expand both human rights and opportunity for individual citizens.

5. To accomplish these vast undertakings without destroying or impairing the stability of the United States economy, the economic system, or the free institutions of the United States.

The farm-family delegates expressed very clearly through resolutions in December 1950 some basic principles, quoted in part below:

New United States programs are needed to strengthen the free nations, but not without a review of our objectives in world affairs and our capabilities to achieve them. Our foreign affairs have reached a stage when major policy decisions must be made. The time has come for our Nation to formulate comprehensive dynamic foreign policy for a long period, founded on public understanding, and thus provide the standard to rally all free peoples.

The burden of our foreign policy must be borne by a positive sound program of international economic collaboration for raising the standards of living of all free peoples and for the support of our common defenses. * * * Our foreign policy must capitalize our unexcelled ability to raise standards of living, and thus give substance and hope to those who might otherwise give way to communism. * * * Therefore, the essence of our foreign economic programs must be collaboration, self-help, and mutual aid among cooperating nations. * * *

It is recognized that in the national interests and in the interest of the community of free nations, the United States will be required to provide aid to weaker nations. We should never lose sight of the fact, however, that great human and natural resources exist in other free countries. Our own resources are being strained to the point which could jeopardize our economic structure, while in other free nations great manpower and resources are underemployed. Our aid, therefore, insofar as possible, must assure increasing production of essential raw materials and productivity of nations that cooperate with us, and each nation in turn must make its maximum contribution to the common economic and military effort. * * *

Our foreign aid should be based on the principle that all aid should be paid for with whatever the recipient can best contribute to the common welfare, over a period which will avoid undue weakening of the recipient. * * *

The United States should state prerequisites for economic, political, and military strength as conditions to United States aid. If we have not the courage to make such conditions and "would-be" recipients have not the strength to comply, then we commit ourselves without limit—a commitment the acceptance of which could destroy us. * * *

We reaffirm our support for continuing aid to Europe. * * *

All economic aid should be given as a loan repayable in goods, earned dollars, or local currency to the account of the United States. Such local currencies accepted should be used exclusively for meeting other United States foreign commitments wherever possible for new and additional productive capacity, for

modernization of existing capacity, for education and information, for national defense, and for the development of underdeveloped areas * * *

All United States foreign aid programs should be administered through a single independent agency * * *

There are eight distinct and interrelated principles expressed in American Farm Bureau Federation policies dealing with foreign economic development, as follows:

1. The needs of the non-Communist world must be related to the resources of the non-Communist world and no longer to United States resources alone. Our resources are limited. We need help to preserve our strength, stability, and capacity to help other nations. There must be a cooperative endeavor among nations to raise living standards. This requires the introduction of new procedures to enable countries who receive our aid to provide aid, in turn, to still other countries, thus multiplying the effects of our assistance in lieu of the United States supplying direct aid in all instances to all participating countries. Ways must be found to supply aid to needy countries on a multilateral basis, with all cooperating nations contributing.

2. This multilateral relating of non-Communist resources to need among non-Communist nations must be effected largely through developing and expanding multilateral private international trade on a sound and permanent basis. This will require a reduction of customs barriers and a freeing of trade from currency and quantitative restrictions among cooperating nations—a closer economic integration. (See appendix I.) We believe that many of these items could have been procured through trade within Europe. With the proper utilization of counterpart funds the United States could have facilitated this trade. We ask the members of this committee to study this list and we believe you will determine that many of these items could have been purchased with local currencies within Europe or elsewhere without overtaxing the resources of the United States.

In appendix III we have copied from the proposal now under consideration by this committee and have made some observations applying the principles set forth in this statement to the proposed Mutual Security Program.

3. Tremendous capital investments must be made in military and civilian productive capacity throughout the free world on a scale hitherto unknown, if United States objectives are to be reached in time. Steps must be taken to create conditions similar to those that attracted huge private capital investments to develop this country and which made it possible for us to create the highest standard of living in the world and which, at the same time, made the world's greatest contribution to the standards of living of other nations through private international trade. Our aid must be the "pump primer" for increasing investment in productive capacity in cooperating countries as a basis of world trade and to effectuate that trade.

4. The principal means for the multiplication of our foreign economic aid lies in the judicious and businesslike use of counterpart funds. We propose the use of counterpart funds much different from current practice. We recommend that countries receiving United States aid be required to deposit counterpart funds to the account of the United States for the full commensurate cost of the goods received. Such is the key to ever-expanding national economies and international trade.

The funds of this account could be utilized only as might be agreed upon by the recipient and the United States for one or more of the following purposes: (a) To help increase food and general economic production, (b) to help develop the Nation's resources and exportable creativeness so as to pay in normal international trade for increasing imports to raise standards of living, (c) to pay for such commodities and/or matériel as are available or may be made available in the country and are needed to cover United States needs or commitments of aid including matériel to other cooperating nations, and (d) to pay for goods or materials transferred for export to the United States for stockpiling or other purposes which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, providing that the recipient undertake to export to the United States or other cooperating nations a sufficient part of the additional production made possible by such investments so as to repay the aid advanced within a period of years.

To avoid any danger of the charge that we are interfering unduly with the economies of participating countries, provisions should be made whereby any country may elect to convert its aid obligations to loans repayable in earned dollars, materials, or services whenever it wishes to do so. (See appendix II.) The purpose of ECA, as announced many times, is to cover only dollar shortages. Here in appendix II we give you a statement copied from the *London Economist* illustrating that this is not always the case. We believe this type of action greatly impairs the confidence within the cooperating countries, since our operations are quite different from our announced intentions. We raise this question: Are wharves for Borneo a legitimate part of dollar shortages? We would point out that the Scandinavian countries are greatly dependent upon exports of lumber products.

Our proposal may be expressed generally in another way: United States aid would be extended as an advance to beneficiary nations, thus creating an obligation for an equivalent export of some product to the United States or to other cooperating nations within some reasonable time. Meanwhile the capital created by the advance within the country would be used to invest in the capacity to increase production of the requisites to higher standards of living and requiring repayment of the advance out of a part of the increased production made possible by such capital investments.

5. To incorporate these principles in the implementation of our foreign aid program, we believe that all United States foreign aid and action programs, including military matériel, technical assistance, and aid similar to that provided through the Economic Cooperation Administration, should be coordinated through a single independent Government agency, with a bipartisan public advisory board, and an interagency coordinating committee, and charged with the responsibilities enumerated at the beginning of this statement and authorized within congressional limitations to deal with friendly nations entitled to cooperate under conditions defined by the Congress. We visualize that this single agency would have administrative responsibility for some functions such as economic aid and technical assistance, but only coordinating responsibility for others, such as the Import-Export Bank, foreign operations of the Department of Agriculture, military matériel etc.

The objective of this agency's operations would be to make new dollar appropriations a last resort for meeting United States foreign commitments in creating productivity throughout the free world as a basis for sound and enduring trade for improved living. The operation would not jeopardize the sovereignty or independence of cooperating nations and would encourage a maximum of private business enterprise.

We feel that such coordination would concentrate our bargaining power for attacking the causes of communism, and only through such an agency can the resources of cooperating nations be equated to their needs and not to ours alone.

6. Technical assistance: The economically underdeveloped areas are highly susceptible to Communist propaganda and subversion, which exploit discontent over prevailing low standards of living. Failure in these countries to show economic progress and the inability of free governments to find some way to start building an effective and dynamic structure, at best sap the resolution of these countries to protect their freedom and in some instances threaten to destroy the very foundations of national unity. A strong sound technical assistance program is perhaps the most effective means to correct these dangers. We therefore fully support such a program.

Tanks, guns, and planes become obsolete after a very short time, but ideas through the educational process never become outmoded. Therefore, we believe that the main effort of our foreign-aid program and our foreign economic policy must be directed toward the utilization of our skills and technical know-how in a well thought-out integrated educational program, to teach people how to do things better and to provide an opportunity for the people to improve standards of living.

This is particularly true in the so-called underdeveloped areas that we think of as being concentrated primarily in southeast Asia. We already have many experiences on which to draw in formulating this program. We would emphasize the need for better coordination in our technical assistance effort. Again this technical assistance program can be accomplished with a huge saving in expenditure of dollar resources. We believe that with the proper use of counterpart funds as outlined in this statement, our efforts in technical assistance can be multiplied many times over.

7. United States respect among cooperating nations will be influenced greatly by our leadership in stating the objectives and prerequisites for cooperation. We must demand that each cooperating country attack the want, misery, social inequalities, and lack of opportunities which breed communism. A multi-billion-dollar aid program backed by the United States military security, and private and limited Government investments would give us a strategic position from which to press these demands with firmness, yet without encroaching upon the sovereignty of cooperating nations. It would give us the offensive by adopting a program with a powerful appeal to peoples both before and behind the iron curtain. If we have not the courage to make such conditions and "would be" recipients have not the strength to comply, then we commit ourselves without limit—a commitment the acceptance of which could destroy us.

For those nations desiring assistance we should provide the means by which they may collaborate among themselves, and each in turn

aid weaker member nations. Each should earnestly seek to raise the standards of living by increasing production for the benefit of all. To fully capitalize the potential benefits we must make our position crystal clear to the world so that those nations who elect to cooperate with us will know where they stand, what they must do, and what to expect. The United States should state prerequisites for economic, political, and military achievements as conditions to the United States aid. (See appendix IV.) There must be a universal attack against the conditions which encourage the spread of communism.

8. Now the last of these propositions, Mr. Chairman, already has been alluded to, but it deserves still further consideration; i. e., our aid must be given in such a way as to achieve our foreign objectives without destroying or impairing our own economy, our economic system, or our free institutions. It is our economic strength and stability—our free institutions—that buttress the hope of free and would-be free peoples around the world. The soul of our Nation and its strength is the free-choice and opportunity system with a maximum of free prices, private enterprise, and a sound currency. These must be protected in order to preserve the source of strength. We could lose ourselves while trying to save others.

To briefly summarize, we recommend:

(1) That the resources of the non-Communist nations be related to the needs of the non-Communist world and not solely to the resources of the United States. This has been illustrated in the examples referred to in this statement.

(2) That, in future aid programs where loans or grants are involved, the country receiving this aid should deposit counterpart funds to the account of the United States equivalent to the dollar cost of the goods or money furnished. Funds in this account of the United States would be used in agreement with the recipient country in developing its resources and productivity out of which the aid advanced would be repaid either by exports to the United States or to cover United States commitments to other nations.

(3) That all foreign-aid programs be under the direction of a single Government agency; this agency to have administrative responsibility for some of the functions outlined, and coordinating responsibility for others.

(4) That the United States should state prerequisites for economic, political, and military achievement as conditions to United States aid. We should not continue to furnish aid to nations for the perpetuation of policies and schemes that are not directed at the economic improvement of the nation. The example of the recent agreement with the Philippines should be used as a pattern for all countries in this connection.

(5) The technical assistance program should be the heart and foundation of our foreign-aid program. We should draw on our past experiences in operating these programs and concentrate on simple improvements to achieve a balanced economy within the capabilities of each cooperating country.

(6) Last, but not least, we must protect our own economy and free institutions. Our aid must be given in such a way as to achieve our foreign objectives without destroying or impairing our own economy.

We hope that the committee will take into consideration the principles stated above. The American Farm Bureau Federation is prepared to offer legislation and/or amendments to accomplish these objectives. We believe that by following these recommendations, the same or greater quantities of aid may be provided at much less dollar cost.

The above principles developed by the American Farm Bureau Federation are designed to mutually protect and strengthen the economies and defenses of the nations of the free world on a sound and enduring basis. We believe that through these principles, aggressively implemented, the conditions of a lasting peace can be created.

(The appendixes referred to follow:)

APPENDIX I

Procurement authorizations in the United States and possessions for ECA countries announced July 2 and 5, 1951:

	Thous. of dol.
Austria:	
Coal and related fuels.....	1,070
Construction, mining, and conveying equipment.....	435
Generators, motors, and metalwork machinery.....	342
Synthetic rubber and products.....	200
Belgium-Luxemburg:	
Motor vehicles, engines, and parts.....	2,227
Tractors, wheel and track.....	1,000
Iron and steel materials.....	200
Medicinal and pharmaceuticals.....	200
Tractor parts and used wheel tractors.....	50
Agricultural equipment.....	50
Denmark: Raw cotton:	1,468
France:	
Raw cotton.....	17,785
Tobacco.....	438
Alcohol.....	9
Coal and related fuels.....	34
Chemicals and preparations.....	133
Germany:	
Tobacco.....	3,000
Paper bags.....	1,000
Greece:	
Agricultural equipment, except tractors.....	250
Copper and copper products.....	185
Miscellaneous industrial materials.....	100
Equipment and machines for lignite mines.....	100
Industrial chemicals.....	100
Pulp, paper, and products.....	135
Vehicles, engines, and parts.....	500
Pesticides.....	1,166
Iceland:	
Machines, equipment, motors for nitrogen plant.....	800
Industrial, mining machinery and equipment.....	35
Ireland:	
Tobacco.....	1,696
Grain sorghums.....	1,000
Italy:	
Industrial machinery, including office.....	6,045
Pulp, paper.....	4,000
Metalworking machinery and machine tools.....	3,627
Cotton.....	1,025
Electrical apparatus.....	1,458
Construction, mining, conveying, metalworking, industrial.....	868
Synthetic rubber.....	567
Chemicals and preparations.....	66

Italy—Continued		Thous. of dol.
Coal and related fuels.....	1,800	
Copper and copper products.....	944	
Lumber and sawmill.....	708	
Crude oil and petroleum.....	600	
Nonmetallic minerals.....	81	
Cotton.....	32	
Technical services.....	27	
Scientific and professional materials.....	18	
Textile products.....	13	
Netherlands: Industrial chemicals and preparations.....	780	
Portugal:		
Requisites to improve airport.....	1,037	
Requisites to improve meat industry in Angola.....	663	
Requisites for wood-pulp and paper mill.....	140	
Tin plate and terneplate.....	468	
Construction, mining, conveying, industrial, generators, etc.....	254	
Sweden:		
Nonmetallic minerals ex petral.....	500	
Crude oil and products.....	500	
Industrial machinery and office.....	300	
Turkey:		
Agricultural equipment, excluding tractors.....	5,567	
Medicinal and pharmaceuticals (mill.).....	1,136	
Textile products and wearing apparel (mill.).....	1,139	
Rubber and rubber products (mill.).....	143	
Tractor parts and used wheel tractors.....	1,510	
Pesticides.....	1,142	
Motor vehicles, engines, and parts.....	500	
Rubber and products.....	424	
Electrical apparatus and technical services for coal mine.....	411	
Lumber and sawmill products.....	1,000	
Miscellaneous mining, industrial, and scientific equipment.....	133	
Seed.....	235	
Motor vehicles.....	500	
Used wheel tractors.....	500	
Tin plate and terneplate.....	600	
Newspprint.....	400	
Eggs in shell.....	7	
Textile products.....	544	
Iron and steel-mill materials.....	2,510	
Tractors, track and wheel.....	360	
Live farm animals.....	2,500	
Crude oil and petroleum products.....	1,786	
United Kingdom: Tobacco.....	546	
Yugoslavia:		
Raw cotton.....	643	
Iron and steel-mill materials and products.....	1,567	
Chemicals and preparations.....	900	
Hides and skins.....	500	
Textile products.....	334	
Semifinished steel, aluminum and products.....	480	
Medicinal and pharmaceuticals.....	231	
Tin plate and terneplate.....	220	
Flax fiber.....	135	
Nickel and alloy products.....	100	
Pig iron.....	38	
Norway: Tobacco.....	700	

APPENDIX II

[Extract from the Economist of June 9, 1951, London, England]

The Economic Cooperation Administration has announced a \$7.7 million grant to the United Kingdom to assist in strengthening the economies of dependent overseas territories and facilitating the production and transport of raw materials in short supply in those territories. The funds will be used for the following projects:

	Thousands of dollars
Construction of a rail link in the Gold Coast.....	1,400
Construction of wharves in North Borneo.....	952
Coal development in Nigeria.....	455
Road building Tanganyika, Northern Rhodesia, and Nigeria.....	4,100
Rice development in British Guiana.....	621
Replacement of ferries with road bridges in Sierra Leone.....	210

APPENDIX III

Exact uses of funds proposed by the administration in its mutual security program for fiscal year 1952 are most obscure. Yet there are enough indications among these to raise legitimate question as to whether the United States is the only nation in which the articles can be produced within the limits of military and strategic expediency. To the extent this question is justifiable, there is a question as to the need for new dollar appropriations if the counterpart funds are properly used. Following are some examples:

EUROPE

(a) "By far the largest proportion of the funds requested (\$6.3 million) is extended for the procurement of tanks, other combat vehicles, modern fighter aircraft, some mine sweepers, and escort vessels. Large amounts are also to be used for artillery and fire control, ammunition, motor-transport vehicles, naval and Air Force ordnance items, and electronics equipment of many varieties. Spare parts and maintenance equipment needed to keep equipment serviceable for an initial period are also included."

(b) Economic aid (1) to increase the production of basic materials essential to military and economic strength in the free world; (2) to provide technical assistance designed to raise European productivity; (3) to pay ocean freight; (4) funds to cover United States costs of contributions to UN and its specialized agencies; (5) administrative costs.

NOTE.—If appendices I and II are representative examples of this economic aid, considerable portions can be covered through the recommended use of counterpart funds without appropriating dollars in each case.

(c) Aid for special purposes in OEEC countries and their dependencies:

1. To finance exploration and initial development and promotional activities.
2. To finance actual production and shipment and installation of facilities for production and shipment in those case where these activities cannot be financed by Import-Export Bank.

NEAR EAST AND INDEPENDENT COUNTRIES OF NORTH AFRICA

(a) Military aid of \$415 million to continue support of Greek, Turkish, and Iranian Armies.

(b) Economic aid (excluding Greece and Turkey) of \$125 million. The security objective in the area must be to create stability by laying solid foundations now of economic progress and by establishing, now, confidence that further advances can be made.

(c) \$50,000,000 for reintegrating Arab refugees and direct relief.

(NOTE.—The need of dollars to cover the proposed \$340 million aid under our assumed use of counterpart is a reasonable question.)

ASIA AND PACIFIC

(a) To furnish certain major deficiencies in the armed forces, to provide training and packing, handling and transporting, totaling \$555 million.

(b) Aid for (1) essential public services such as training in the fields of agriculture, fisheries, and forestry; (2) improved medical and sanitation services at the village level; (3) repair or improvement of essential public works; (4) improvement of public administration; (5) public health; and (6) needed economic support of defense efforts.

(c) \$112.5 million to Korea.

(d) UN programs in area.

NOTE.—Total cost \$930,000,000—same basic question, How many new dollars are needed if a cooperative multilateral approach is adopted?

LATIN AMERICA

(a) \$40,000,000 military assistance for rehabilitation and maintenance of United States equipment on hand, modernization of naval vessels and the like from non-United States origins and additional equipment to fill matériel shortages and training in modern techniques and tactics.

(b) Technical cooperation to increase production and to overcome weakness in economic structure for \$22,000,000.

NOTE.—Modernizing European vessels might possibly be done in European currencies if the recommended use of counterpart were approved.

APPENDIX IV

Excerpt from Foster-Quirino agreement, November 14, 1950, which agreement was preliminary to the Philippines becoming eligible to receive assistance:

"3. The main recommendations of the report to the President of the United States by the economic survey mission to the Philippines¹ will be the basis for serious and immediate consideration by the Philippine Government in order to attain the objectives mentioned above, and may be considered a practical and sound point of departure in working out a program of social, economic and technical assistance and cooperation.

"4. To this end, and considering that time is of essence, the Council of State shall forthwith formulate a legislative program of the following measures for prompt consideration by the Congress of the Philippines:

"A. Tax legislation of an equitable nature designed to balance the budget and build up a surplus to gradually eliminate previous deficits at the same time to help in counteracting inflationary trends. It is estimated that, in order to be able to take advantage fully of United States aid, it will be necessary to fix as an immediate goal a total of not less than 565 million pesos in tax revenues. It is proposed that new and increased taxes go into effect January 1, 1951.

"B. A minimum-wage law for all agricultural workers as the first step toward labor and rural legislation designed to raise the level of wages especially in agricultural areas and to improve the living conditions of agricultural and industrial workers.

"C. A joint resolution expressing the general policy of Congress to accelerate the carrying out by congressional enactment of the social reforms and economic development measures recommended by the economic survey mission to the Philippines."

Excerpt from bilateral agreement between ECA and the Philippines (art. II, Undertakings, par. 2) (the recommendations referred to are found in the report to the President of the United States by the economic survey mission to the Philippines dated October 9, 1950):

"2. Initiate and further implement social, economic, and technical programs based upon the recommendations of the economic survey mission and such other measures as will strengthen democratic and free institutions in the Philippines."

Mr. LYNN. Mr. Chairman, I would like to say that the American Farm Bureau Federation, over the past 2 years, has given a great deal of study, and I mean down at the county and community level, to foreign aid and related programs.

A very concentrated effort was made at our last annual convention, and a great deal of time was devoted to the development of policies that farm people could understand, and that citizens in general could understand, and that would make this foreign economic policy work.

I want to say we have made some recommended changes here that are quite different from perhaps anything you have heard up to now; certainly they are different from the way the programs have been operating.

We hope that during the course of this discussion to prove to you that these principles are well thought out and sound.

First, I would like to make this point. We find a great lack of understanding among the people down at the so-called grass roots

¹ Popularly referred to as the Bell report.

with regard to our aims and objectives; that is, the United States aims and objectives in regard to our foreign economic programs, including the military-aid program.

We are trying our best to develop that understanding through the educational process. We would like to look at this program not necessarily from the short-time point of view, but over a period of years. We have to remember that in this foreign work we will not accomplish these objectives as quickly as a lot of Americans would like to see them accomplished.

I asked to have Mr. Garnett up here with me. As the Honorable Mr. Keating spent some time in Asia, I have had the pleasure of spending 3½ years in Europe, and Mr. Garnett has spent 5½ years in Europe working in connection with these programs.

We have seen it operate from both ends, which gives one a little better perspective.

Getting down to the points we want to make in this statement, we believe that the resources of the non-Communist world must be related to the needs of the non-Communist nations, and not just only to the resources of the United States.

It has been our observation up to now—this is not true in 100 percent of the cases—that when a nation needs some material or some assistance of any kind, the tendency is to call on the United States, not only for the dollars, but also for the natural resources, the material, be it wheat, coal, or whatever.

Gentlemen, our resources are limited. We have tremendous underdeveloped resources in countries that are supposed to be on our side in this struggle. We have a proposal here which is the way we think these resources might be developed, so that we could get, as Congressman Keating said a few moments ago, "some reverse lend-lease."

In relating these needs of the non-Communist nations to their resources, we would like you to refer briefly to appendixes 1 and 2 in this statement. It illustrates what we mean. We have taken the ECA announced authorizations and used them. I would like to add in the beginning that this committee knows we have supported from the very inception the ECA program. We have taken the announced procurement authorizations from ECA on July 2 and 5, 1951.

We would like for you to look over the list and see if there are not some of these items that could have been procured outside of the United States or its possessions.

We realize perfectly well that there is a lot of pressure—agriculture is not completely immune to that—on various countries and on ECA to buy this material in the United States.

We point out, for example, appendix 1, Belgium and Luxembourg, iron and steel materials, to be purchased in the United States of America and possessions if you are familiar with the situation in Europe, you know that Belgium and Luxembourg are perhaps the most efficient producers of that kind of material in Europe.

Mr. CHIPERFIELD. Do you mind an interruption, sir?

Mr. LYNN. No, sir.

Mr. CHIPERFIELD. But they can get them for free from us and they would have to pay Luxembourg and Belgium for it, and that is the trouble.

Mr. LYNN. There may be something to that.

Mr. VORYS. You say millions of dollars. That would make the first item \$1,700,000.

Mr. LYNN. There are two or three typographical errors here. That is thousands. I would like to ask the question, Where did these countries procure these materials before World War II, let us say? Where would be the natural place for Greece to go to buy agricultural equipment, industrial chemicals? It would be Germany, in my estimation. Where would be the place for Belgium and Luxemburg to go to buy agricultural equipment? It would be Germany or France. You can go right down the list. In Italy, there is the normal source of supply for pulp and paper.

What countries in the ECA have the greatest surplus of pulp and paper? It is the Scandinavian countries. We have a shortage here. Why could not this item have been supplied in Europe without continuing to drain our resources? You can go through this whole list and raise similar questions.

I think that is enough to illustrate what we mean.

The next logical question is: How do you propose to go about it?

We think by the proper use of the counterpart funds our objectives as set forth in this statement can be accomplished in most cases.

As you gentlemen are well aware, a great part of the aid through ECA—I do not know exactly how much—the countries have been required to deposit counterpart funds, supposedly, to a joint account of the United States and that country participating. This money was supposed to be spent on the agreement between the United States representatives and the participating country.

I have firsthand knowledge, primarily in Germany, that the Germans have had a great deal more to say as to where those counterpart funds should go than the Americans have. Mr. Garnett was the administrator of the food and agriculture program under Mr. McCloy until less than a year ago. He can give you some specific examples in that connection.

What we propose is that all aid, and we do not mean military material, we mean all economic aid, that the country to which this aid is given deposit to the account of the United States, to the credit of the United States, local currency equivalent to the value of the goods or services furnished.

Mr. BURLESON. May I interrupt there, Mr. Chairman? Did you advocate such a system in the granting of aid to India?

Mr. LYNN. Yes, sir.

Mr. BURLESON. I do not recall that.

Mr. LYNN. Yes, sir, we did.

Mr. BURLESON. You advocated we ask for critical materials, manganese, and so forth?

Mr. LYNN. No, sir, counterpart funds to develop those resources.

Mr. BURLESON. But exchange of materials needed in this country—you did not advocate that we put a provision in the bill requiring India to reciprocate in that respect?

Mr. LYNN. Not trading wheat for zinc, or anything. We did advocate this principle of counterpart funds to be used.

Mr. BURLESON. That was when it was a grant.

Mr. LYNN. Ours was based on a loan or a grant.

Chairman RICHARDS. Solely by the United States?

Mr. LYNN. No, sir. I would like to elaborate on that.

Mr. BURLERSON. Excuse me. You did not testify after the Indian aid bill was changed from a grant to a loan basis did you?

Mr. LYNN. No, sir.

Mr. BURLERSON. You testified when it was a grant?

Mr. LYNN. Yes, sir.

Mr. BURLERSON. You could not have counterpart funds after it was a loan?

Mr. LYNN. You could, sir.

Mr. BURLERSON. We did not figure that out.

Mr. LYNN. It makes no difference. You take somebody's promise to pay on the loan. When the people, using India as an illustration in this proposition, when the peasants get their grain, they do not get it as a gift, they pay their rupees for it.

What does the Government do with the rupees? What have some of the governments done with local counterpart currency? They have balanced their national budget and paid off some of their war debts. We have a few little problems in that connection here at home that we must consider.

These counterpart funds would be spent jointly by the United States and the participating country. They would be used for the following purposes—

Chairman RICHARDS. They do that now. They approve the projects. The United States has the say-so in it.

Mr. LYNN. That is pretty complicated. It is not true in every case, sir. For example, let us use Germany as an example. We would attempt to say, "Now, look, we have so many million deutschmarks here, counterpart funds. We believe the thing you should do is try to increase agriculture production here through an extension service," speaking from the agricultural point of view.

I submit to you that we worked for 3 years in an attempt to get an extension service established by the use of the German share of the counterpart funds, but finally we used the 5 percent counterpart funds which are ours, which belong to the United States.

Not until the middle of 1950, just prior to the time Mr. Garnett left Germany—we are using this as an illustration only—did we succeed in getting the Germans to agree to use some of their counterpart funds to do these worth-while projects.

What happened in that case, we found they had included some of this money in their budget to be gotten from taxes. As soon as it was determined that they must release some counterpart funds instead of supplementing what they already planned to do they simply cut it out of their budget and used what we think was our legitimate deutschmarks to do what they should have been doing with tax money.

Chairman RICHARDS. I see what you are talking about. But we had to agree to that.

Mr. LYNN. We have some more to say about that a little later on.

Chairman RICHARDS. What do you say about that, Mr. Garnett?

Mr. GARNETT. We could not help ourselves. They have the veto power. You have to spend the money in the country, and they can "wait us out," and we have to more or less agree to that.

Mr. CHIPERFIELD. If they have to spend the money in the country, how can you use French francs to buy agricultural machinery in Germany?

Mr. GARNETT. I think Mr. Lynn is going to cover that in his statement.

Mr. LYNN. These counterpart funds would be used for increases in food production and economic production, generally, in the country, to help develop the nation's resources, in order to help them get on their feet, and, thirdly, to meet other United States' commitments in other countries.

Let me give you an example of what we mean by that. Last year, you remember, when the Yugoslav bill was being considered by the Congress with regard to the grant to Yugoslavia, the Yugoslav mission came to us for some help in getting the Congress in the mood to pass the bill.

We asked the Yugoslavs, "You don't want this as a gift, do you?" They said, "No, but how else can we do it?" We said, "The United States needs copper, and a lot of strategic materials, and a lot of things we think you have."

They admitted, to make a long story short, they did have some undeveloped resources, lead, zinc, and so forth. They said, "We need \$5,000,000 worth of mining machinery in order to develop and expand this production. Can you help us get the mining machinery here in the United States?"

We simply asked the question, "Where did you get it prior to the time the United States started helping everyone?" They answered, "We got it from Germany."

We checked further into this thing and found that the companies who produced this type of mining machinery were not working at full capacity. They needed, and wanted, to make this material.

We had at that time to the account of the United States with the Joint Republic several million deutschmarks in counterpart funds. Why would it not be logical to say to these German manufacturers, and they work for deutschmarks instead of dollars, "You manufacture and we will pay you out of these counterpart funds for this \$5,000,000 equivalent of mining machinery. You ship it to Yugoslavia and they, in turn, are going to ship us some strategic materials in order that we may replenish our stockpile.

That is a simple illustration, but we were unable to get other people to see the logic, but it would have worked.

Mr. HAYS. My understanding is that is exactly the thing that was done. I know in looking over what actually happened under the Marshall plan aid, you found American cotton going to Italy, making fish nets going to Norway to produce fish that went to Belgium, and so on. You start those cycles of trade, and it took this plan to do it.

What you are describing as an essential part is actually a part of the plan.

Mr. LYNN. In only a very few cases.

Mr. HAYS. You are suggesting we enlarge on it?

Mr. LYNN. Yes, sir. This cotton-textile manufacturer, that happened in Germany, too—

Mr. HAYS. I just used that as an illustration of what went on.

Mr. LYNN. It was sent to Germany, for example. The German economy, if I recall these figures correctly, was to keep 40 percent of the finished materials for their own indigenous use, to clothe their own people, and export to other countries to meet the United States

commitments, the 60 percent. That is the kind of thing we need more of.

I submit, gentlemen, that has not been done to a very great extent. If you look at the trade between western European countries in the last 4 years, you will see that is true.

We do not want to seem critical of ECA. ECA had a job to do to rehabilitate a war-devastated area. That has been pretty well accomplished now and we are trying to look at this thing over a longer period to suggest a better way. It has not been done to the extent that it might have been done up to now.

As a little further evidence, we would like to refer you to Appendix No. 2, which is copied from the London Economist, and we have checked and found this is a fact, with regard to a grant that has been made to the United Kingdom to develop her independent overseas territories.

We would like to ask the same question, as we did in relation to appendix 1: Could not some of these materials be procured in Europe or other friendly countries without this outlay of dollars for these materials?

For wharves for Borneo we assume wooden piles would be used. What countries in Europe have these piles? Germany, Norway, and Sweden surely could supply this material. Would it not be more sensible, instead of granting dollars to do this, to call on those countries whom we have assisted a great deal to furnish these facilities, and we not have to furnish dollars. We are not questioning the value of this for the British Commonwealth, but we are questioning the necessity for the use of dollars for this project.

One of the things that has held us back, I think, is our unwillingness to be "hard boiled" about these things. We have said over and over again we do not want to interfere with the internal affairs of these countries. In other words, we leave it up to the country. Here is the way we suggest our foreign economic aid programs be operated. Let us say these are the conditions. Let us state certain prerequisites before we enter into economic-aid agreements. I am reading on page 6, point 5. It is for the establishment of a single agency to implement these programs. I think it is best I read this from our statement, because it has been pretty well thought out:

To incorporate these principles in the implementation of our foreign-aid program, we believe that all United States foreign aid and action programs, including the military matériel, technical assistance, and aid similar to that provided through the economic cooperation should be coordinated through a single independent Government agency, with a bipartisan public advisory board, and an inter-agency coordinating committee, and charged with the responsibilities enumerated at the beginning of this statement and authorized within congressional limitations to deal with friendly nations entitled to cooperate under conditions defined by the Congress.

We visualize that this single agency would have administrative responsibility for some functions such as economic aid and technical assistance, but only coordinating responsibility for others, such as the Export-Import Bank, foreign operations of the Department of Agriculture, military matériel, and so forth.

The Administrator who may be charged with carrying out this program should know how much material France needs and where best to get it. I would assume that General Eisenhower would originate the request and coordinate it through the Pentagon.

We believe this military aid should be not set completely apart, but separated from the economic assistance.

We visualize the aid we give to the European countries, or any friendly country, as being in our corner in this thing. If we spend \$6,000,000,000 in Europe, or some other place, that is just \$6,000,000,000 that we would have spent here anyhow to protect ourselves and protect the free nations.

Therefore, we think that ought to be primarily the responsibility of the military, but coordinated with this administrator of this new agency.

As an example, let us suppose that General Eisenhower or someone determines that Europe needs 10 new mine sweepers. We would like to visualize this as being originated by General Eisenhower and his staff, through the ECA mission in Europe, coordinating with the Pentagon and the Administrator of this program, determining what countries are in our camp and which ones are best suited to build mine sweepers. We do not necessarily have to build the mine sweepers in the United States. There are companies in Europe who did a very good job prior to the Second World War.

Mr. CHIPERFIELD. Who is going to pay for them?

Mr. LYNN. The counterpart funds. I know there is a great deal of discussion whether we should allow France, for example, to produce small-arms ammunition. I know you have read statements that a M-1 rifle costs us \$300 and could be built in Europe for \$30.

The question in this time of great expenditure, when our resources and manpower are being strained to the limit, is whether or not we should not trust those people to the extent that we give them a blueprint and let them make an M-1 rifle since we are supposed to be fighting on the same side.

Mr. CHIPERFIELD. Do you think they would accept payment in their own counterpart funds?

Mr. LYNN. A Frenchman works with French francs not dollars.

Mr. CHIPERFIELD. We have had this problem before. That is one of the great problems. Here you have the capacity to produce mine sweepers. It may be in Italy, or where not, and then turn them over to France. There seems to be some gimmick in there on the payment of them.

Mr. LYNN. It says so in the law written by Congress, sir, that none of this money under the Mutual Assistance Act can be spent in any foreign country to build any military matériel, to build any factory—

Mr. CHIPERFIELD. I am not disputing you. I am trying to get information.

Mr. LYNN. We believe, sir, without question, that France can do something on this. I know they have some underused facilities over there. Our facilities are being used to the limit. Why not let France make the M-1 rifles, for example? We are in this thing together. We have to trust those people. France might not be a good example, but it is all right for illustration purposes.

Chairman RICHARDS. Wait a minute. Let me ask you this: You say, wherever they could make these materials, you ought to go ahead and take counterpart funds and buy them, is that right?

Mr. LYNN. No, not necessarily. As an example, let us suppose we will make 100,000 M-1 rifles in France.

Chairman RICHARDS. But suppose you have to get them from another nation. Suppose you want something only made in Belgium. Instead of buying it in the United States, you would buy it in Belgium?

Mr. LYNN. If it is available in Belgium.

Chairman RICHARDS. You would do that with military end items? You are a farm man. You represent a farm organization. What are you going to do with agricultural products that you need there, cotton, for instance, when you have a surplus in this country and you want to get a surplus out. Why not take some American dollars and get rid of the surplus over here, at the same time, instead of having that competitive situation?

Mr. LYNN. We are not making any exception for agricultural products, Congressman Richards. This committee well knows we helped defeat the so-called Vorys amendment last year on the earmarking of funds for the buying of agricultural surpluses with ECA money.

We have approached the ECA program from the very beginning that it should not be a surplus disposal program.

Mr. VORYS. You wanted to make it a surplus removal and support program. You would not let the American people use a billion dollars' worth of stuff that they had already bought. Go ahead. Let us not review that one. If we do, it will take an hour or so.

Mr. LYNN. If the United States, in the case of agriculture products or any other item, can produce that item the most economically of any of these non-Communist nations that we are in this pool with, then it should come from the United States.

In the case of cotton and wheat, I think there is no question that the United States is the most economical producer of those commodities. In the case of paper, pulp, and wood, and a few other materials, we are not.

Chairman RICHARDS. If you do what you say in regard to certain materials, for every million dollars we propose it is going to cost the American taxpayer \$2 million, because we are going to carry surpluses over here in just about that amount.

Mr. LYNN. I do not think so. To put it another way, for every million dollars or billion dollars we propose—I am sorry to refer to "billion dollars," because I hope it will not get that big—for every million dollars we propose under our proposal we will get \$2 million worth of aid out of it.

First, we will furnish the material for that country, and then that country in turn puts up the counterpart funds and agrees to furnish either material to us, or some other cooperating country, in the equivalent, dollar equivalent, of aid which we have furnished them. We get double value from our dollars spent in the foreign-aid program.

Mr. VORYS. May I interrupt? The thing would work if it were not for the fact that almost all of these countries with the exception of Britain are coming in for an extra hand-out of economic aid because of the burden of military aid.

So that if we would say to them, "We have furnished you \$20,000,000 worth of cotton, and that is sold to your people, you would have francs; take the \$20,000,000 worth of francs and hire some Frenchmen to make M-1 rifles," they would come back and say, "We are sorry. That is another thing. It has made such a dent in our economy, you have to boost the extra economic aid you gave us. Give us some more." That is what we are told.

Mr. LYNN. As long as we are willing to give it, they are willing to receive it. You can just bank on that.

Mr. VORYS. The one thing we have required, you know, is the 5 percent for strategic materials. We have picked up about \$69,200,000 of strategic materials.

That is net, and is all to the good, and along the line that you have in mind, except that instead of 5 percent, you say, "Let us just make it 100 percent."

I do not see that anybody has been hurt on this strategic material program, except these countries who come to us and say, "If you would let us sell you those strategic materials for dollars, then we would not need so many dollars to balance our accounts."

That is where the thing fouls up when they come to us about it.

Mr. LYNN. We helped, Mr. Garnett and I, to spend in Germany some \$4,000,000,000 of United States taxpayers' money. We know what good cases they can seem to make. If you stay there too long it will rub off on you and you will find yourself rubber stamping. That is one reason I left.

To continue on, I do not want to take too much of your time, but before we leave this we would like to refer to this appendix 3 and appendix 4.

We have copied from the legislation you are now considering some exact language and made a few comments in the form of notes. We would like to call your especial attention to appendix 4, which is along the line we are talking about, that is, the excerpts from the agreement between the United States and the Philippines in regard to economic aid.

We have heard a lot said that we do not want to interfere with the internal economy of these nations. Here is a step, we think, in the right direction, where we have stated to the Philippines "our aid will be conditioned on certain things that you are supposed to do within your own nation."

For example, we have gone so far as to say how many additional pesos they will raise in their taxes. They must enact a minimum-wage law, and so on down the line.

We think that does not go quite far enough. It is the first thing we have seen that indicates we are going in the right direction.

Mr. CHIPERFIELD. May I ask one question? I do not want to take up too much time. Let us suppose France is producing M-1 rifles. Where are they going to get the raw materials—steel? How are they going to pay for that? That will not come out of counterpart funds?

Mr. LYNN. It may be necessary that we send them some steel. Even if it did become necessary, I would first like to look around to the uses being made of steel in Germany, for example, to see whether or not it would not be better to put it into M-1 rifles, rather than the use they are making of it. The rebuilding of the Autobahn bridges for example, is a good thing, but maybe for the defense of Western Europe the production of M-1 rifles is more important. It may be necessary for us to send them some steel over there, but let's make sure they do their part.

I still submit perhaps it would be cheaper on us and would conserve our manpower and resources and a great deal of money even if we had to send some of the materials over there.

Mr. CHIPERFIELD. I cannot find the gimmick, but that is what I am looking for.

Mr. VORYS. Suppose we sent the materials; your idea is we still could use counterpart to pay the wages?

Mr. LYNN. Sure. Remember, gentlemen, that the people in these countries that we are aiding do not work for dollars. They work for the currency common to that country.

Chairman RICHARDS. They would be glad to work for dollars?

Mr. LYNN. Yes, sir; but there are some 1,038,000,000 people we are about to take under our wing. That is a lot of folks.

Chairman RICHARDS. They cannot pay it off in anything but their local currency?

Mr. LYNN. That is right. Just a word about the technical-assistance program. We have a great deal of faith in the so-called point 4 technical-assistance program.

We believe—we do not want to use personalities—Dr. Bennett has done an exceedingly good job in getting that program started on a sound basis.

We have particular reference to the program started in India. I am sure you had an opportunity to hear Horace Holmes, who did such a good job over there.

I would like to read from this statement:

Tanks, guns, and planes become obsolete after a very short time, but ideas through the educational process never become outmoded. Therefore, we believe the main effort of our foreign-aid program and our foreign economic policy must be directed toward the utilization of our skills and technical know-how in a well thought out integrated educational program, to teach people how to do things better and to provide an opportunity for the people to improve standards of living.

I think that is one of the keys to our success, provide people opportunity, as we have in America, to do better.

We may be in some cases perpetuating in some countries the very programs that we are trying to correct, that we hope we are trying to correct by giving aid, to perpetuate programs in countries that are just not according to our thinking. I do not want to get too specific in that. I am sure you know what I mean.

To summarize, Mr. Chairman, I would like to make one other point. It is point No. 8.

Now the last of these propositions, Mr. Chairman, already has been alluded to, but it deserves still further consideration: That is, our aid must be given in such a way as to achieve our foreign objectives without destroying or impairing our own economy, our economic system or our free institutions. It is our economic strength and stability—our free institutions—that buttress the hope of free and would-be free peoples around the world.

That, briefly, is the content with regard to this statement.

Chairman RICHARDS. As previously stated, your entire statement will be incorporated in the record.

Are there any other questions? Thank you very much, sir. We appreciate your coming up.

We have one other witness, Rev. Thomas B. Keehn. Mr. Keehn, you are legislative representative, Council for Social Action, Congregational Christian Churches; is that right?

STATEMENT OF REV. THOMAS B. KEEHN, LEGISLATIVE REPRESENTATIVE, COUNCIL FOR SOCIAL ACTION, CONGREGATIONAL CHRISTIAN CHURCHES

Mr. KEEHN. That is right.

Chairman RICHARDS. Do you have a prepared statement?

Mr. KEEHN. Yes.

Chairman RICHARDS. Do you wish to read your statement, or do you want to file it and comment on it?

Mr. KEEHN. I would be glad to file the statement and make a brief comment on it.

Chairman RICHARDS. Without objection, the statement will be made a part of the record, and we will be glad to hear your comment.

Mr. KEEHN. Mr. Chairman and members of the committee, my name is Thomas B. Keehn and my address is 1751 N Street NW., Washington, D. C. I am appearing before your committee today to testify upon behalf of the Council for Social Action of the Congregational Christian Churches with respect to the Mutual Security Program. My position with the council for social action is legislative secretary. The council is composed of a board of 18 persons elected by the General Council of the Congregational Christian Churches which is the representative body of our 6,000 churches and 1,100,000 members. The council for social action has been given the responsibility by the general council of helping the individual churches make the Christian gospel more effective in society in the areas of international relations, race relations, and economic affairs. I should like to make clear, at this point, that according to our policy each individual church and each national board speaks only for itself. In my capacity as a witness today I am, therefore, speaking only for the council for social action.

I am also authorized to state that another body of the Congregational Christian denomination, the American Board of Commissioners for Foreign Missions, has recently expressed its approval of the point 4 program as an essential part of America's foreign economic policy. The American Board has carried on a program of education, social welfare, industrial and vocational development, and medical care for more than 140 years. This program which involved expenditures of more than \$1,300,000 during the last fiscal year, has always been centered primarily in the so-called underdeveloped areas of the world.

In a letter dated July 19, 1951, addressed to me, Dr. Ronald Bridges, president of the American Board, stated:

I am interested and gratified to learn that you are to appear before the House Foreign Affairs Committee in its hearings on the mutual security program.

You know of the great concern that is being evidenced by the various foreign boards of our churches, especially in connection with the point 4 program and I want to be sure that you have the action recently taken by the Prudential Committee of the American Board on this matter. Enclosed you will find a copy which you may use as you see fit in the presentation of your testimony.

The resolution referred to by Dr. Bridges reads as follows in sections particularly relevant to this testimony:

That approval in substance be given to the findings of a special consultation on the churches' relations to peoples in underdeveloped areas of the world held at Buck Hill Falls, April 24-26, 1951, as a guide to the staff in dealing with the immediate proposals before them and as a basis for the formulation of a long range policy for the American board.

That officers and missionaries of the American board be asked to interpret to individuals and churches the fundamental humanitarian principle of sharing which is at the heart of the point 4 program, to the end that, progressively, popular support and congressional support of the point 4 program may be forthcoming * * *

This convergence of interest of the American board and the Council for Social Action is, we believe, a happy and significant development. It indicates a widespread interest within the churches in the kind of program to aid in the economic and social development of the underdeveloped areas which is symbolized by point 4. Growing out of generations of practical experience of the American board in the foreign-mission field, and the interest of the Council for Social Action in foreign policy, this program—point 4—represents something which we believe should be in the forefront of American foreign policy.

One personal word may be appropriate here. At the request of the division of foreign missions of the National Council of Churches, I was released from my present responsibility for the 8-month period October 1950 to June 1951 to make a special study of the relationship of missions to the point 4 program. The division of foreign missions represents the major Protestant missions boards. As has been stated on many occasions by both churchmen and political leaders, foreign missions pioneered in developing the point 4 idea. Particularly in the fields of health, education, and agriculture, these religious agencies have been concerned with basic human and social needs of people in the underdeveloped areas, as well as in their moral and spiritual welfare. One of the activities carried on during this period of service for the division of foreign missions of the National Council of Churches was to assist in the planning and carrying out of a 3-day consultation on the churches' relation to peoples in underdeveloped areas. This meeting was attended by 125 leaders of Protestant missions and social-action agencies. I am sending to each member of the committee a copy of the report of this consultation entitled "The American Churches and Overseas Development Programs." This document represents a realistic appraisal of the needs and obstacles to economic and social development in the underdeveloped area and the motivations and principles which must guide a program of this kind if it is to be successful.

As is apparent from this background, we are particularly interested in the provisions of the proposal before this committee relating to the economic aid of the more than 1 billion people who live in the underdeveloped areas of the world. This part of the foreign-aid program represents expenditures of approximately \$500,000,000. We are not at all opposed to the larger items requested for economic aid to Europe and military aid to the free world. In fact the Council for Social Action has on several occasions supported both of these programs. We do not feel qualified to speak about the details or amounts requested for either of these activities. It might be appropriate to express the hope that in the European economic-aid program, the original purpose of the Marshall plan will not be lost because of the new conditions occasioned by the rearmament program. Certainly some adjustment will be called for, but no military program in Europe can be achieved or even made palatable to the people unless there is

a sound and continuing improvement in the program of economic development in the European nations.

About the program of economic and social development in the underdeveloped areas, we do have several specific comments.

First we would like to emphasize the strategic and long-term importance of this program of economic and social development in the underdeveloped areas. Here we agree with the thesis developed by the report of the International Development Advisory Board and by Mr. Nelson Rockefeller in his testimony before this committee. The report of the Churches and Overseas Development stated:

In the past man has lacked the physical capacity either to destroy his kind by the tens of millions or to lessen measurably the misery and squalor which too often were an accepted condition of their daily existence. That is no longer true.

Today man has developed scientific instruments which are easily capable of crippling civilization as we know it. But he has also developed knowledge and techniques which for the first time make systematic social and economic progress a possibility not only for the citizens of a few nations but for the most of mankind.

The poverty and social disorder which afflict so much of the world are ancient and persistent evils. Their eradication will not be a matter of years, or even of decades. The problem is vast and complex, the misery pervasive, the causes intertangled. But a road toward a better lot for the people of these areas has become increasingly visible in the private, governmental, and intergovernmental development programs which have been launched or proposed since the end of the Second World War. The philosophy behind these programs has become familiar to Americans as the point 4 concept.

If the point 4 concept is not vigorously applied, a series of degenerative wars appears to be almost inevitable. But if the concept is given full support, the result can be a more wholesome and secure world for our children than their parents have ever known.

Thus we want a point 4 program that is clearly identified, that is in the spot light, that is a central and permanent part of American foreign policy. That is, from our point of view, a weakness of the proposal before you. Point 4 functions are scattered throughout the four titles of the document. It takes some arithmetic and a skillful detective to locate the pieces which, when put together, spell point 4. We believe that point 4 should be, at the very least, a separate title in an overall foreign aid bill. At present it is lost amidst military and temporary economic programs. This is a major weakness, a weakness which will be misunderstood particularly by the more than 1,000,000,000 people who live in the underdeveloped areas. Because military and economic aid are so mixed, it may be believed in some countries that they must take the military aid in order to qualify for the economic. And this will produce tension, perhaps resentment, in the underdeveloped areas where the spirit of political independence is as potent as the economic and social needs of the people are widespread.

Secondly, we are concerned with the magnitude and administration of the program. Point 4 has become a generic term. It is a symbol. It has a long history in government as well as among private agencies. At the present time there are at least two major point 4 programs carried on by the United States Government—one under the aegis of the Technical Cooperation Administration of the Department of State and the other under ECA, particularly its special economic missions in southeast Asia and its program in the dependent overseas territories of Africa. According to the report of the Rockefeller International Development Advisory Board, all of these activities

taken together accounted for the expenditure of nearly \$300,000,000 in fiscal 1951. ECA programs in the underdeveloped areas differ somewhat from TOA activities in that the former supplies some grants and materials as well as technicians. But they are all point 4 in the broadest sense. Presumably the \$500,000,000 listed as economic aid to the underdeveloped areas in the draft now before you represents a continuation and enlargement of this program although we have not seen a country by country breakdown. At any rate we strongly believe that the amount of \$500 million for technical assistance and economic and social development in the underdeveloped areas is a reasonable amount for the next fiscal year. It should be approved. This is the amount recommended by both the Gray and Rockefeller reports.

To administer such a program effectively, the operations now carried on by TCA and the ECA underdeveloped areas functions, should be combined into a single administrative unit. Probably this should be a division of ECA with clearly defined responsibilities and authority. This division could then become the nucleus of a single independent overseas economic administration as recommended in many private and public studies of the problem. The functions of this agency could be clarified as experience dictated. But at least here we would have the beginning of the kind of permanent, independent overseas economic agency which appears to be so desperately needed.

Incidentally reports from certain parts of the world indicate that in each country there should be much more effective coordination of the various United States programs—economic, information, and military—than now exists.

Thirdly, we believe that there should be the maximum use of voluntary agencies in the point 4 program. This was the intent of Congress as expressed in the Act for International Development, adopted last year. At the planning stage in advisory relationships, both here and in the field, and in the actual administration of certain projects, we believe that the aims and purposes of point 4 can best be fulfilled by use of voluntary agencies of all kinds.

A fourth and final concern which we would like to stress is related to the direction in which the program should move. For example, church agencies generally feel that increasing use should be made of the United Nations and the specialized agencies in technical assistance and economic development programs. Especially as long term, large-scale development projects are undertaken, financial and investment programs under UN aegis will help avoid possible charges of imperialism and thereby serve America's real interests. For this reason we support the proposals in the Rockefeller report for an International Development Authority and an International Finance Corporation, both related to the International Bank for Reconstruction which is a UN agency. Congress would serve the United States and the United Nations well by initiating steps to get these new programs started. At best, several years will be required, and now is not too soon to begin. In the meantime, we have made an investigation of technical assistance programs now carried on by the United Nations and the specialized agencies. We believe they fulfill an important function and could be expanded. United States contributions of approximately 10 percent of current appropriations for technical assistance

and economic development in the underdeveloped areas could be usefully employed by the UN.

Church agencies and members appear to be committed to the point 4 idea carried on by the United States and United Nations with greater enthusiasm than anything else in the last decade with the possible exception of the establishment of the UN itself. With their world-wide organization, they are prepared to carry on programs of education and assistance in the grass roots of America and the rice roots of Asia. They believe that this is a program which must be supported by citizens and by the Government for the long pull—for at least the next 50 years. Point 4 must go on when—in fact especially when—the military-aid programs decrease. Point 4 can become a kind of twentieth century emancipation for the billion and more people, largely colored, who are enslaved by poverty, ignorance, disease, misgovernment, and disintegrating social orders in the underdeveloped areas of the world. It can become a road to peace along which mankind may walk forward into the sunrise of a better tomorrow.

Actually, I am authorized tonight to speak not only in behalf of the Council for Social Action of the Congregational Christian Churches, but in behalf of an agency known as the American Board of Commissioners for Foreign Missions, an agency connected with the Congregational Christian Churches.

This agency, the Board of Foreign Missions, has worked for more than 140 years in these underdeveloped areas of the world which we have heard so much about.

I am not myself a missionary, but I have been, in the last year especially, interested in making a very careful study of the work of our Board of Foreign Missions and other Protestant missions in the underdeveloped areas, particularly discussing their relationship to this point 4 program.

It has been said here tonight, and many times in your presence, I know, that the foreign missionary enterprise has in a sense pioneered this point 4 program.

It is logical that as a church agency we are concerned with this aspect of the foreign-aid bill, the aid to underdeveloped areas.

The Council for Social Action has supported the military-aid program and the economic-aid program to Europe; but, frankly, we get lost in all this talk about counterpart funds and military end items, and we do not pretend to be experts on those aspects of the proposal before you.

The church groups do have a deep and practical feeling and concern for the point 4 program, this program of aid to the underdeveloped areas.

We would like simply to put a little spotlight on that phase of this proposal which is before your committee. Briefly, I think we could say we agree to a large extent to the thesis developed by Mr. Rockefeller in his testimony before you. We believe that this program of roughly \$500,000,000 of economic aid to the billion and more people who live in the underdeveloped areas is an essential part of the larger bill you are considering.

We would like to see one thing. This point 4 program is not clearly enough identified in the proposal before you. It takes a little arithmetic and a private detective to find this point 4 program, as we search through the proposal.

So, if there is anything concrete we would like to say, I believe it is this program ought to be segregated out of the various titles and put into one title, not only for the spotlighting purpose which I have mentioned, but because this would make a very good object lesson in terms of American foreign policy as it is represented to the peoples of the underdeveloped areas of the world.

They are going to be a little suspicious of military aid if they see it all mixed up with these forms of economic aid.

We would like, therefore, to see as much separate and unique attention given to this program of economic aid to the underdeveloped areas as is possible.

As a matter of fact, some of us have been concerned with this matter and have even drafted the outline of the proposal which might be used to formulate a section or a title of this bill to deal with economic aid to the underdeveloped areas.

If that is of any interest to the committee, we would be glad to leave it for you.

Chairman RICHARDS. How long is your proposal?

Mr. KEEHN. It is just 2½ pages. It is not in legislative language; it is an outline of it title by title.

Chairman RICHARDS. Without objection, we will include that in the record as your proposal.

(The material referred to is as follows:)

DRAFT PROPOSAL FOR INTERNATIONAL DEVELOPMENT ACT

I. TITLE

International Development Act of 1951.

II. PURPOSE

To promote the foreign policy of the United States by authorizing programs for economic and social development of the underdeveloped areas of the world.

This purpose is spelled out in the act for International Development, title IV, Public Law 535, Eighty-first Congress: "To further the secure growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace; to further the efforts of peoples living in underdeveloped areas of the world to realize their full capabilities and to develop the resources of the lands in which they live; to achieve the most effective utilization of the resources of the United States, private and public which are or may be available for aid in the development of economically underdeveloped areas; to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States, and their related organizations, and by other international organizations wherever practicable; to plan, undertake, administer and execute bilateral technical cooperation programs carried on by any United States Government agency."

III. ADMINISTRATION

To administer this act, an independent agency in the executive branch of the United States Government is established. This agency, known as the Overseas Economic Administration shall be directly responsible to the President of the United States. There shall be an Administrator appointed by the President, by and with the advice of the Senate, and such other officials as may be needed.

The OEA shall carry on the functions now performed by:

(1) The Technical Cooperation Administration of the Department of State, including the activities of the Institute of Inter-American Affairs and the technical cooperation programs as defined in section 418 of the United States Information and Educational Exchange Act of 1948;

(2) Programs for underdeveloped areas administered by the Economic Cooperation Administration;

(3) Such other foreign economic programs as may be assigned to OEA by the President.

The President shall create a public advisory board which shall advise and consult with the President or such other officer as he may designate to administer the program authorized with respect to general or basic policy matters arising in connection with the operation of the program.

The President shall appoint an Interagency Board to coordinate activities of participating agencies of the United States Government.

The operational functions of the Agency shall be separated into two principal divisions:

- A. Long-range technical assistance and economic development programs;
- B. Short term relief and reconstruction programs.

IV. FUNDS

There is hereby authorized to be appropriated the following sums to carry out the purpose of this act:

A. \$500 million for long-range technical assistance and economic development in (1) Middle East; (2) Africa (includes dependent overseas territories of metropolitan European powers. Also includes free African nations); (3) Asia and the Pacific; (4) American Republics.

The Administrator is authorized to allocate funds in any of the above categories, not to exceed 10 percent in the present year to the United Nations and its specialized agencies for programs consistent with the purposes of this act.

B. \$162.5 million for relief and reconstruction work through the United Nations Relief and Works Agency for Palestine Refugees and the United Nations Korean Reconstruction Agency.

V. LOAN PROGRAMS

The OEA is authorized, through the United States member of the Board, to join with other members of the International Bank for Reconstruction and Development to establish the International Finance Corporation. The sum of \$150 million is authorized for this purpose on condition that other members of the International Bank subscribe \$250 million.

The OEA is authorized to propose through Department of State that the UN should create an International Development Authority.

The OEA is authorized to subscribe \$200 million for this purpose when \$300 million is subscribed by other nations.

The OEA is authorized to propose through the Department of State that the UN should create a UN Revolving Fund for Cooperatives to provide UN credit to farmer and small rural industrial cooperatives.

The OEA is authorized to subscribe \$_____ million for this purpose when \$_____ million is subscribed by other nations.

The lending authority of the United States Export-Import Bank is increased by \$1 billion to enable the bank to expend loans for projects in the underdeveloped areas of the world.

Mr. KEEHN. Thank you. We are also concerned that this program should be administered in a separate agency apart from the military aid program. I believe that has been said to you before. We simply would like to reiterate that.

Frankly, it is our opinion, after studying the matter, that more is being done in the terms of a point 4 program in the underdeveloped areas than is sometimes suspected. We have been quite impressed by the point 4 type activities carried on by ECA in southeastern Asia and in the dependent territories of Africa.

We took the figure from the Rockefeller report that nearly \$280,000,000 were spent in the last fiscal year, 1951, in the underdeveloped areas for economic aid.

We believe this more truly represents the magnitude of this program than that point 4 figure which has been talked about so much.

As a matter of fact, we would like to see the program now being carried on by TCA, and those activities carried on by ECA in the underdeveloped areas, put together in one operating unit, perhaps as a

separate division within ECA, but nevertheless giving a unified and comprehensive program of economic aid to the underdeveloped areas.

In our statement, we stress the importance of the use of voluntary agencies in planning these programs in the underdeveloped areas, simply because, I think has already been indicated, missionary organizations and many nonreligious groups have had a good deal experience in these areas of the world.

We would also like to stress the importance of using the United Nations to the maximum possible extent. Perhaps I could just conclude my brief comments by reading the last paragraph of this statement which I submitted for the record.

Church agencies and members appear to be committed to the point 4 idea carried on by the United States and UN with greater enthusiasm than anything else in the last decade with the possible exception of the establishment of the UN itself. With their world-wide organization, they are prepared to carry on programs of education and assistance in the grass roots of America and the rice roots of Asia.

They believe that this is a program which must be supported by citizens and by the Government for the long pull, for at least the next 50 years. Point 4 must go on when—in fact, especially when—the military aid programs decrease.

Point 4 can become a kind of twentieth century emancipation for the billion and more people, largely colored, who are enslaved by poverty, ignorance, disease, misgovernment and disintegrating social orders in the underdeveloped areas of the world. It can become a road to peace along which mankind may walk forward into the sunrise of a better tomorrow.

I think that is the essence of the statement I would like to make. I appreciate this chance to appear before your committee.

Chairman RICHARDS. Thank you very much, sir. We appreciate your coming before us and giving us the benefit of your views and those of your organization. I assure you that your statement will be studied very carefully.

Are there any questions?

Mr. CHIPERFIELD. I believe the witness has said a great deal in a very short time. He has done a fine job.

Mr. VORYS. I would like to ask this. At the end of your statement you say, "We believe church members are committed to this program," and in the beginning of it, you say that each church member speaks for himself and you are only speaking for the Council for Social Action, composed of 18 persons.

The truth is that you are just speaking for 18 persons; that you cannot commit the 1,100,000 members of the Congregational Church; that is true, is it not?

Mr. KEEHN. It certainly is. As the statement indicates, it is elected as an official body of our denomination. We, being a Congregational denomination, have a very strict policy that no agency at the national level can commit the local churches to any given action. We are authorized to carry on certain programs, and we speak only in the name of this particular agency.

This is also true of this board of foreign missions which I mentioned. Their actions which indicate their support for this program are such that they cannot commit local churches. They carry on the program only in their own name.

This is also the policy carried on by Mr. Hays' church, the Baptists, and the Disciples, and a good many other organizations operate in the same manner.

Chairman RICHARDS. Mr. Chipperfield.

Mr. CHIPERFIELD. No questions.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. Mr. Chairman, that is true of our denomination. We have a group comparable to this called the social-service commission. They do not speak for the 18,000 churches in our denomination, but only for the group.

It is an official body. I would like to say in that connection that I have had an opportunity to observe Mr. Keehn's work. He does an exceedingly valuable job of interpreting the work of Congress to his congregation.

I feel that it is very appropriate for him, in turn, to interpret their board's position to us. I feel the democratic process is helped by this approach.

I am sure that if Dr. Judd were here he would say something, as a Congregationalist, about it.

Mr. Keehn may have noticed that Dr. Judd and I had to enlighten the Congress the other day about the Congregational form of government. They are well versed in that.

Chairman RICHARDS. Thank you, Mr. Hays. You do feel, though, Mr. Keehn, that you are giving us the benefit of what you construe to be the collective thinking of the group you represent; while you cannot bind them, do you think that is their collective thinking?

Mr. KEEHN. That is right. According to the inquiries we have had from local churches, and the response which has been made to our literature which we have distributed on this subject, and the requests for speakers which have been received from local churches, I thought it appropriate to use the words I did use, Mr. Vorys, that church members and agencies appear to be committed to the point 4 idea.

I believe it is really a fair statement, that there is a genuine and deep interest among the church people in this program.

Mr. Hays, would you not concur in that, as far as church thinking is concerned?

Mr. HAYS. Yes. My work across the country has brought me in touch with many church groups. I would risk this statement on my own responsibility, that the leadership feels just as Mr. Keehn says, and also the rank and file.

Chairman RICHARDS. Thank you very much, Mr. Keehn. We appreciate your coming.

The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 9:35 p. m., the committee adjourned until 10 a. m. the following day, Tuesday, July 24, 1951.)

THE MUTUAL SECURITY PROGRAM

TUESDAY, JULY 24, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Gentlemen, we will continue the hearings on the Mutual Security Program. I believe the question was raised last night by Mrs. Bolton and Mr. Vorys about the inclusion of certain countries in this area program that we are taking testimony on. It was understood last night that someone would be here this morning to testify directly on this issue.

Mr. COOLIDGE. I have Mr. John H. Ohly, Assistant Director of International Security Affairs, here who, I think, can answer Mr. Vorys' question on why India is where it is.

Chairman RICHARDS. Mr. Ohly, will you have a seat?

Mr. EATON. Did Mr. Coolidge say that this gentleman could tell us why India is where it is?

Mr. COOLIDGE. That is what I said.

Chairman RICHARDS. You are pretty good if you can. Mr. Ohly, will you tell the committee about that.

STATEMENT OF JOHN H. OHLY, ACTING ASSISTANT DIRECTOR OF INTERNATIONAL SECURITY AFFAIRS

Chairman RICHARDS. Your office is here in Washington?

Mr. OHLY. That is right.

Chairman RICHARDS. Will the members who raised that question last night state what it is they want to know? We want to get you what you want to know.

Mr. VORYS. I want to know who decided to put India in title III of the proposed legislation.

Mr. OHLY. To say who made the decision, Mr. Vorys, in the sense of one individual, I can give no answer because there is none. The action was taken after considerable discussion among people in all of the interested agencies, including within the Department of State the people in the Far Eastern Division, and the people in the Near Eastern, South Asian, and African Division.

I should add this: In part that decision, or that result, reflects the history of the whole MDAP legislation. In other words, it goes back to things we talked about in this committee last year.

It goes back to section 303 of the old Mutual Defense Assistance Act. It provided for an emergency fund for use in the general area

of China, to further the general purposes of the law. This section had several special features.

First, funds provided under this section were not restricted as to type of aid for which they might be used; they were not limited to military aid, in other words.

Secondly, there was a provision to the effect that these funds might be used without vouchering in this area.

Thirdly, the area itself was not defined. We have found that this provision was a very important provision in dealing with the kind of fluid and flexible situation we have had in the Far East.

We have always considered that the term "general area of China," as used in this section included those countries that were on the perimeter of China and it included the offshore islands of Asia around China.

Chairman RICHARDS. Mrs. Bolton contends that India is in the Western Hemisphere some place. Do you not contend that, Mrs. Bolton?

Mrs. BOLTON. I was inquiring how India suddenly appeared in the Near East. I went back into the committee set-up. Then I was told the committee set-up was not right anyhow. I knew India was in the Far East when we started. I wanted very much to go to India at one point. I was told I could not because it was not my area.

So it fastened itself upon my mind, Mr. Chairman, that India was in the Far East. That is what it was called for several sessions of our Congress, in the Eightieth and Eighty-first Congress.

I am very happy to feel that the State Department moves on into more fluid situations, and that it is better to have India in South Asia. I think that is an excellent idea. I was surprised by it and I was wondering about it.

Mr. MANSFIELD. Will the lady yield?

Mrs. BOLTON. Yes.

Mr. MANSFIELD. I think the credit for it should go to Senator Knowland of California, for his amendment covering the area adjacent to China. As Mr. Vorys pointed out, that would bring in India because of the frontier on the north.

Mrs. BOLTON. But I do not believe that it is on that basis that she is where she is.

Chairman RICHARDS. The basis of your decision was that India was in the general area?

Mr. OHLY. That is correct. We want to continue in this bill the authority contained in section 303.

I think the suggested legislation would and should do that, because we are still dealing with a fluid, dynamic situation there and we must, we believe, have the flexibility to use those funds there.

There are other things which support such a conclusion, which I will be glad to go into if the committee wants to take the time. The political and economic ties of India look to the east rather than, as in the case of the Arab States, to the west. Moreover, the Middle East represents an entity, a land bridge between the west and Asia.

I think it is also interesting that we commonly refer to the Near East as Asia Minor, as if it were something distinct and apart from Asia as such.

This bill is designed to have four parts, Europe, the Middle East, Asia, and Latin America, and we placed India in the Asia part. Actually, you have to make certain arbitrary distinctions, of which this is one, but which I think is backed by logical reasons.

Mr. VORYS. The reason given here is that it is in the general area of China. As I remember that legislation, it either provided for ECA administration or—

Mr. OHLY. You are thinking of a provision in the China Aid Act, Mr. Vorys. There were two provisions. One was in the MDAP Act, which vested the funds in the President, and which he has allocated among Defense, CIA, ECA, and other agencies, depending on the type of task and problem that needed to be accomplished with the money. Most of it has gone to military purposes, but small amounts have gone to other purposes.

Mr. VORYS. The China Aid Act, as I remember it, did provide for an ECA-type administration?

Mr. OHLY. I believe that is correct. But I cannot testify as to the China Aid Act.

Mr. VORYS. In any case, Formosa, which is the place which we are now thinking about, and we have put in some language to make sure about it, aid in Formosa is ECA aid, and it is under the general ECA principles; is that not correct?

Mr. OHLY. Certainly different criteria apply in administering aid there, but it is under the administration of ECA aid. The problems are not comparable to the European problems. The strict balance-of-payment principle cannot be applied.

Mr. VORYS. Do we have a bilateral agreement?

Mr. OHLY. We have an MDAP agreement, an agreement and an ECA bilateral arrangement.

Mr. COOLEY. Yes, sir. There are ECA bilateral agreements with all of the countries in the general area of China which are receiving aid, except Indochina.

(Discussion off the record.)

Mr. VORYS. Just going back, you were the headman under MDAP, when the President approved that were you not?

Mr. OHLY. That is correct.

Mr. VORYS. You were the headman the first year and second year?

Mr. OHLY. The first year, I did not come up; the second year, I did.

Mr. VORYS. What is your title?

Mr. OHLY. Acting Assistant Director of International Security Affairs.

Mr. VORYS. Acting Assistant Director to Mr. Cabot?

Mr. OHLY. That is correct, sir.

Mr. VORYS. And Mr. Coolidge is Deputy Director?

Mr. OHLY. Yes.

Mr. VORYS. What is your status between you and Mr. Coolidge?

Mr. OHLY. How do you mean that, the status?

Mr. VORYS. Does an assistant director rate higher than a deputy?

Mr. OHLY. Lower.

Mr. VORYS. But yours is an over-all assignment, is it not? Mr. Cabot told us there are about five departments in his office. You are not one of the five, are you?

Mr. OHLY. Yes; I am, sir.

Mr. VORYS. What is your particular function?

Mr. OHLY. It is called policy and program development. That entails working on the development of this fiscal year 1952 program for presentation, and the general work in other policy matters that cut across geographic areas.

Mr. VORYS. Since the Director "will be exercising responsibility for the Government as a whole," quoting the Presidentially approved memorandum, then you are the fellow, the head man of the whole Government for "policy and program development," this being the program; is that not correct?

Mr. OHLY. I think that is an overstatement, Mr. Vorys. The way the organization is broken down is this: There is an Assistant Director for European Affairs, who deals with the program and problems of the North Atlantic Treaty area and the other European countries to which aid is being extended.

The Assistant Director, who is here in the room today, Mr. Bingham, is in charge of those particular areas in the world outside Europe, namely, the Near East, Far East, and Latin America.

There is an Assistant Director for Program Management, who has the job, once the programs are formulated, of seeing that they are carried through, of tending to the central accounting and of exercising what you might call a control function.

Mr. VORYS. Who is No. 3?

Mr. OHLY. The Assistant Director for No. 3?

Mr. VORYS. What is his name?

Mr. OHLY. Mr. John Bell, who was my deputy last year.

Mr. VORYS. No. 4?

Mr. OHLY. Assistant Director for Policy and Program Management—

Mr. VORYS. That is you?

Mr. OHLY. That is me.

Mr. VORYS. Was there a fifth one?

Mr. OHLY. Not as an assistant director. There are certain special assistants in certain staff fields.

Mr. VORYS. That is supposed to cover the water front?

Mr. OHLY. That is true, sir.

Chairman RICHARDS. Have you anything further?

Mr. OHLY. I am just here to answer questions.

Mr. MANSFIELD. I want to make a remark, Mr. Chairman. Mr. Ohly, I am delighted that we have you before this committee again. I recall with pleasure the fine work you did when you appeared before us the past few years. I think Mr. Cabot and Mr. Coolidge are to be complimented on the use of your services in having you before us to give us the opportunity to ask you questions.

Chairman RICHARDS. There is nothing sinister about this thing in either the Near East or Far East. It is just a common-sense basis that under the present legislation it was put into that area of China as the best way to operate; is that right?

Mr. OHLY. That is right.

Mr. VORYS. There is nothing sinister, Mr. Chairman, but it is significant that we had about 20 experts sitting in the room yesterday and the simple question of why is this here, could not be answered.

I think Mr. Ohly's statement—I have the same high regard for him that Mr. Mansfield expresses—about the program being broken

down is quite interesting. It is broken down and up and sideways, and some of us are trying to find out how it is fastened together and who does it.

Chairman RICHARDS. We do not want him to break it completely down. Are there any other questions? Thank you, Mr. Ohly. We may call on you again before the morning is over.

Mr. OHLY. If you want me to stay this morning, I can. I think I am due to come back again on title I.

Chairman RICHARDS. I think we could excuse Mr. Ohly this morning.

Mr. VORYS. Will you and Mr. Cabot and Mr. Coolidge arrange to have, if the chairman approves, someone in the room constantly, of the 20 who are here, to answer simple questions on program and policy on this mutual security and assistance bill?

Mr. OHLY. Yes, sir.

Chairman RICHARDS. Mr. McGhee, would you mind taking the stand for a moment?

Mr. McGhee, we are glad to have you back again with us this morning. I think you know what the committee is concerned about. You know the question that has been raised with Mr. Ohly. Perhaps you would like to elaborate on it.

STATEMENT OF HON. GEORGE C. MCGHEE, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN, SOUTH ASIAN, AND AFRICAN AFFAIRS

Mr. MCGHEE. Splendid. As you know, Mr. Chairman, title III, as has been discussed, includes certain countries which come under my particular jurisdiction in the Department of State—India, Pakistan, Ceylon, Afghanistan, and Nepal.

Mr. Ohly has explained from the standpoint of over-all Department policy why this has been done. I might explain, because I think this question was raised yesterday, what the division of authority in the State Department is, and the reasons for it, if that would help clarify the situation.

The division of the Department into four bureaus, in the case of the bureau which I am responsible for, covering the Near East, south Asia, and Africa, has been in existence in the State Department for several decades. I found on my walls pictures of my predecessors going back for 40 years, having about the same area of jurisdiction.

At that time, most of south Asia was a part of the British Empire. As a consequence, it was administered in its entirety by one division of the Department. It had a logical relationship to the Middle East, where the British also had a strong position. It has turned out to be a fairly logical division even today, considering that any break in the world is arbitrary in nature where you are dividing continents, rather than take one continent in its entirety.

The south Asian area faces quite a different problem from the Far East. It is a relatively stable area. It still has close ties with the Near East. In particular, Pakistan looks to the Near East as a Muslim country. Consequently, this division, which one may say is a heritage of the past, nevertheless is fairly logical in the present circumstances.

In going into the program of assistance, however, for the reason Mr. Ohly stated, it was thought desirable to have one Asia program.

As a consequence, these countries were lumped for the purpose of this program and for its presentation. In its administration by ECA they will also be lumped as one group.

This corresponds to the inclusion of Greece and Turkey into the European program, by virtue of their membership in the OEEC, and the fact that the European countries can best be planned for and administered as an entity.

If there are any questions arising out of this, I would be delighted to answer them.

Mrs. BOLTON. I have just a teeny one.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Just why, then, if this is an Asia program is India and Kashmir and Afghanistan, Pakistan included in a western idea—I do not mean west—why it is included with the Near East?

Mr. McGHEE. It is grouped with the Near East from the standpoint of administration in the State Department. Actually, there is relatively little interrelationship between countries on the extremes of the Near East and south Asia.

On the other hand, there is relatively little interrelationship between the southeast Asia countries and the countries on the extreme west of south Asia. You have to be rather arbitrary in your division.

I might say that as a result of experience, we did last year make a change with respect to Burma, which had been previously under my jurisdiction and which was given over to Mr. Rusk. I was pleased to see this done, because it seemed that Burma did share the same problem as the southeast Asia countries. However, South Asia, India, Pakistan, and other countries, do not share all the same problems of the southeast Asian countries, in that they are more stable.

Mrs. BOLTON. If Thailand and Burma are not southeast Asia, what are they?

Mr. McGHEE. If you consider Pakistan, her ties are to the Middle East. It would be unfortunate to administer India and Pakistan separately, because of their rivalries and the common aspects of their situation.

Chairman RICHARDS. Are there any other questions of Mr. McGhee?

Mr. VORYS. Yes.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. You were saying this could be lumped under ECA. It has not been lumped yet, in that Mr. Griffin is not familiar with the Indian program, which I understand was gotten up in the State Department as separate from ECA; is that not correct?

Mr. McGHEE. Mr. Vorys, in initiating new programs, and we propose for the first time a program of grant assistance to the South Asian countries, it has been customary for the Department to do the basic preparation of programs. ECA handles the programs for countries which have received ECA assistance previously.

Mr. VORYS. Afghanistan, Ceylon, and Nepal are going to be administered by point 4 with Mr. Bennett; is that correct?

Mr. McGHEE. Yes, sir.

Mr. VORYS. That is under the State Department?

Mr. McGHEE. Yes, sir; that is correct.

Mr. VORYS. The program on India will be gotten up, and since it has to be presented very shortly, it will be presented by State?

Mr. MCGHEE. Yes; India and Pakistan will both be presented by State. I am here for that purpose.

Mr. VORYS. After they are presented, and if authorized and appropriated for, they will be administered by ECA?

Mr. MCGHEE. That is correct, sir.

Mr. VORYS. At least, the Indian program is somewhat a continuing one. I do not remember how the draft bill goes. I do not think it proposes a change in ECA. It goes out of existence June 30, 1952. What is the proposal by the administration from then on?

Mr. MCGHEE. Sir, others here have responsibility for presenting testimony on over-all administrative matters. I do not consider that I am competent to address myself to that point.

Mr. VORYS. Is there anybody in the room that could?

Mr. HERTER. Will the gentleman yield?

Mr. VORYS. Yes.

Mr. HERTER. I saw yesterday a table of Mr. Bennett's personnel in different countries. I think there are 10 different agencies in the United States Government; in other words, the agricultural man works with the Department of Agriculture, the commercial man works with the Department of Commerce. And then you turn to ECA on a program to get a unification of that personnel, or do you still have a lot of people under different jurisdictions and a lot of people in different departments? If ECA had an agricultural man he would report to the ECA, but under Mr. Bennett, they would report to the Department of Agriculture. It is a different entity that governs here in Washington.

Mr. MCGHEE. It is my understanding, Mr. Herter, that at such time as these programs are assumed by ECA, they will be administered in the normal way.

Mr. HERTER. They would bring the agricultural fellow under them so that the fellow involved in that would be in under one head?

Mr. MCGHEE. That is correct. Mr. Chairman, Mr. Coolidge is here. I am sure he would be glad to address himself to this over-all problem that Mr. Vorys has raised a question about.

Chairman RICHARDS. Suppose you do that right now.

Mr. COOLIDGE. As I understand the question, it is what would happen to these aid programs after 1952, when under the ECA Act, ECA is supposed to terminate.

The draft act that is before you, submitted by the executive branch, provides that ECA shall continue as long as aid is being administered to these several countries. In other words, it extends the life of ECA so long as the program is going on.

Chairman RICHARDS. That would mean in these areas so long as point 4 is going on?

Mr. COOLIDGE. That is true. That is the proposal. Of course, that would be changed if the Congress created a new agency.

Chairman RICHARDS. Mr. McGhee, this is a little off the beaten track of what you are talking about, but since the wheat business and all, how is Mr. Nehru doing over there?

Mr. MCGHEE. Mr. Chairman, certain statements that Mr. Nehru has been making recently I think this committee would find very satisfactory from our point of view.

I had, in connection with my presentation here, brought along a speech which Mr. Nehru made on July 8, which I think your committee might be interested in hearing an abstract from this speech dealing with communism.

Chairman RICHARDS. Not the whole speech?

Mr. McGUIRE. No, sir. There is an abstract about his attitude toward communism which I think would be interesting.

Chairman RICHARDS. Let us have that.

Mr. McGUIRE. Mr. Nehru says:

Communism's appeal to the many has been based on its promise to satisfy essential human needs and provide security. We have seen that it brings in its train conflict and violence and authoritarianism and suppression of the individual. Can we provide economic security and progress without sacrificing democratic liberties? There is no reason why this should not be possible, though the path may be difficult.

That is the most pertinent quotation.

Chairman RICHARDS. And about the most contrary in regard to communism that he has voiced, is it not?

Mr. McGUIRE. That is correct, sir. The Indian Government has, however, always taken strong measures against communism in India. They have in many cases suspended the writ of habeas corpus in dealing with their local Communist problem. Many Communists are in jail today. India has always regarded communism as an internal menace.

Chairman RICHARDS. Are there any other questions of Mr. McGuire on this point?

Mr. VORYS. I notice in your specific projects you have one for plows. It is, I suppose, 10,000 tons of steel to be imported from the United States.

Mr. McGUIRE. Let us look at that project.

Mr. Chairman, I want to go by the wishes of your committee. I had prepared a statement which I proposed to file and to make a few remarks. Then we have other witnesses here, some of whose testimony will cover, I believe, this point raised by Mr. Vorys and other points. How would you like to proceed, sir?

Chairman RICHARDS. First, I would propose to ask the unanimous consent to put in the record the statement you have made. I do not know if there is anything else, unless you have something that you would like to speak about at this time. Would you suggest we put the other witnesses on, because we can call you later?

Mr. McGUIRE. That is fine. I have the statement which is comprehensive insofar as it describes the program in south Asia.

Chairman RICHARDS. Without objection, that will be placed in the record.

(The material referred to is as follows:)

Mr. Chairman, Mr. Rusk has presented a general view of the title III area, its problems, and our policies in that area. Other witnesses have discussed the specific characteristics of southeast Asia and the Far East. I shall discuss the area of south Asia which includes Afghanistan, Pakistan, India, Ceylon, and Nepal. As a part of the general presentation on south Asia, Dr. Bennett, the Administrator of the Technical Cooperation Administration of the Department of State, will discuss programs of technical assistance which we have undertaken in south Asia and will be supported by Mr. Horace Holmes, who has just returned from India with a first-hand knowledge of the current program in that country. Mr. Holmes has met with great success in his efforts which are an outstanding example of United States technical assistance to underdeveloped areas.

The problems of south Asia differ in some ways from those of other areas under title III. We are not proposing a program of military assistance for south Asia. We do, however, propose a program of grant economic assistance to these five countries in south Asia as a part of the general program for title III countries. With your permission, Mr. Chairman, I shall present our views on the specific problems and need for the proposed economic programs in the countries of south Asia.

The program for south Asia, while small in relation to the total needs of the area, will yield large returns in strengthening the free world and furthering our own security interests. These programs, coordinated with programs being developed by the south Asian countries themselves and financed by them, will do much to meet the great need of the countries of south Asia for perceptible progress in solving their pressing economic problems.

We believe that these programs of United States economic assistance are a necessary and integral part of total development plans in the area and will encourage further initiative by these countries. Aside from the material benefits to the countries and to the United States, the proposed programs if adopted would be additional evidence of our sincere concern for the well being of free peoples in this part of Asia and could also demonstrate to them the concrete advantages of free world cooperation.

A glance at the map shows that south Asia comprises five independent countries on the periphery of Communist Asia which form a bridge between the free countries of the Near East and southeast Asia. Should this bridge collapse, the security of both the Near East and southeast Asia would be jeopardized.

Some 150 million people live in the south Asian area of 1,500,000 square miles. The area is a vital source of many important commodities ranging from pepper to manganese. South Asia is the only important area of the vast Asian land mass which is not under communist control or under active threat of communist domination. United States aims in south Asia are to help and encourage these countries to deal with problems of economic adjustment and development under conditions which will permit the survival and growth of democratic political institutions, and to promote in cooperation with these countries, the strengthening of the free world. The proposed programs of United States economic assistance for the individual countries in south Asia will constitute a practical step toward the achievement of this aim.

Three of the countries in south Asia are newly independent and the Governments of all are non-Communist. The steady growth of non-Communist political institutions is an essential bulwark against expanding Asian communism. Basically, these countries look to the free world for support in their struggle for political stability. Internally, they have demonstrated their awareness of the danger of communism by strong measures against Communist activity and by public denunciation of communism.

INDIA

India is the largest country in south Asia and, indeed, has the largest population of the nations in the free world. It is over a million square miles in area. The vast majority of its 350 million inhabitants are Hindus, but its population includes 40 million Moslems and some 10 million Christians. The per capita income of India is estimated at between \$50 and \$60 a year as compared with \$1,150 in the United States. The budget of the Central Government of India for the present fiscal year is slightly in excess of \$1 billion.

India is predominantly an agricultural country; 70 percent of its people live in rural areas and work the land. However, India is also an important industrial country, particularly in jute and textile manufacturing, and has important raw materials. The importance of its raw materials to the United States is amply illustrated by the fact that in 1950 the United States received from India 36.7 percent of its manganese imports, 87.4 percent of mica imports, 55.3 percent of kyanite imports, and 82.5 percent of its burlap imports.

One derives a clearer impression of the economic level in India when it is realized that the supply of electricity per capita in 1949 was just over one half of 1 percent of the American per capita supply; steel consumption per capita was about 1 percent of the United States level, and coal consumption was about 2.5 percent of the United States level.

Indian agricultural development is retarded and the productivity of Indian farms is far below its real potential. While 70 percent of India's population work the land, only one-half of India's national income is derived from agricultural activity. Indian yields of rice are somewhat under 750 pounds per acre as

compared with 1,400 pounds per acre in the United States. Food consumption, which affects the productivity of labor, has been declining over the past decade. Even with substantial food-grain imports, ranging from 1 million tons in a year of comparatively good crop yields to almost 6 million tons in the current year, the Indian diet is far below a healthful minimum. The present supply of food grains from domestic production in India is equal to 1,400 calories per capita per day and the total food supply is equal to 1,760 calories for the average consumer per day. This represents a decline, over a decade, of about 16 percent.

A number of reasons may be adduced to explain the slow progress in raising living standards in India. A major impediment is the shortage of trained and experienced administrators and technicians required to manage important developmental projects in agriculture and industry. While India was not a theater of active combat during World War II except for Japanese attacks in eastern Assam and Manipur, it was an important base of operations against the enemy. During the war its industries and transportation system were strained to the utmost, without adequate servicing or replacements, to make possible a maximum contribution to the Allied war effort.

India's economy as it emerged from the war was further adversely affected by the dislocations and upheavals which accompanied the partition of British India. Most of the capital which has been available has been used, not for new development, but rather for reconstruction. Furthermore, since the war the leading source of certain important raw materials and manufactured items needed for the various developmental projects in India has been the United States, and in common with other nondollar countries, dollar exchange has been strictly limited and rationed for current as well as long-term needs.

Last year a series of natural disasters which affected food production forced the Government of India to allocate to food purchases even larger quantities of dollar exchange, which under normal circumstances could have been used for the purchase abroad of machinery and equipment for industrial and agricultural development. These disasters occasioned the need for emergency food aid which the United States extended on a loan basis. The proposed program is designed in part to help combat this sort of problem on a long-range basis.

The partition of British India and the events which accompanied it have given India one of the most difficult refugee problems in the world, and certainly one of the largest in terms of the numbers of displaced persons. Extraordinary efforts and expenditures have been required to care for more than 5 million people who left their homes in Pakistan and come to India.

In August 1947 India achieved full independence as a dominion in the Commonwealth of Nations. In fulfillment of its preindependence pledges, the Congress government adopted a republican form of government on January 26, 1950, but retained its membership in the Commonwealth. India's new constitution provides a form of government similar in many respects to the British parliamentary system, but many of its provisions have been drawn from our own Constitution, as well as from the constitutions of other democratic countries.

India is strongly nationalistic, proud of its recently acquired independence, opposed to colonialism, and anxious to participate in the solution of Asian problems. While its Government and the vast majority of the people are anti-totalitarian and are intensely anti-Communist in the domestic sphere, India has not firmly aligned itself with the western and democratic countries as opposed to the U. S. S. R. and its satellites. On the other hand India voluntarily retains its membership in the Commonwealth of Nations, is an active member of the United Nations, and since the founding of the United Nations has by and large, except for the China case, voted on the same side of questions as the other non-Communist countries. India's foreign policy seeks to keep the country out of what India regards as a global contest for power. The Government of India and its people want time to develop India's economy, to improve living standards, and to reduce sickness, hunger, and illiteracy. The Government of India and the State governments are stern in their treatment of Communists, who are the most bitter critics of India's present government.

In common with other countries of south Asia, the people of India believed relief from poverty and hunger would come with independence. Progress toward the amelioration of economic conditions has fallen short of their general expectations. The Government and the people of India are aware that the seeds of revolution in India are present wherever there is widespread poverty and inadequate social services. The perpetuation of these ills leaves the population vulnerable to subversion by communist opportunists. The people of India would not willingly submit to an imperialism more cruel and degrading than any the

world has yet seen. Yet in desperation some of them are already tempted to accept the promises of Communist agents. Tangible betterment of their lot can do more than anything else to foil communist aims. The continuation in power of a government founded in democratic principles depends in large measure upon the success with which it meets and overcomes pressing economic problems.

For these reasons the Government of India gives high priority to agricultural and industrial developmental projects for the raising of living standards. India has not received large amounts of United States assistance for economic development. There has been limited technical assistance under the point 4 program, and the United States has assisted India, at a cost to us of \$7 million, to purchase grain sorghums at special prices. Under the Emergency Food Aid Act the Congress recently authorized a loan to India of \$190 million for the purchase of food grains. The International Bank for Reconstruction and Development has granted to India loans of \$65 million for rehabilitation and development.

If India is to make rapid progress in the completion of its presently projected programs, it must have outside assistance to supplement its own efforts. An expanded program of United States economic assistance is therefore necessary.

We have followed with great interest the formulation of plans for essential development in India and other countries of the area under the Colombo plan. The initiative shown in embarking upon this 6-year plan and the more recently announced revision covering a period of 5 years, is gratifying to all who believe India has an important role to play in the free world.

In their scope, the two plans are similar. The program for India covering a period of 6 years from July 1, 1951, calls for a total expenditure of almost \$4 billion. Even with the assistance given by countries now participating in the plan, India is not yet assured that it will be able to arrange the financing needed to carry out the program of development so necessary to reverse the decline in the Indian standard of living. India does not have large reserves of foreign exchange available for long-term developmental expenditures, nor is indigenous private capital available in sufficient quantities for investment purposes.

The economic assistance proposed in the Mutual Security Program is designed to aid in the attainment of the economic stability which is the key to the maintenance of India's political stability. It is designed in particular to help solve India's formidable food problem which is the most important single economic challenge facing the country. It will provide India with a portion of the capital and technical assistance required for the most effective development of its resources, while promoting trade between India and the United States.

Since the principal weakness in India's economy lies in its agriculture and since the quickest results can be expected from specific projects in this field, the proposed program of United States economic aid for India would be directed toward an extensive improvement in agricultural productivity. The United States has particularly valuable experience in the discovery and use of those techniques which are directly applicable to India's present needs. Results in the improvement of agricultural productivity can be spectacular as is demonstrated by pilot projects undertaken by Mr. Horace Holmes in India. Mutual Security Assistance, by broadening the scope of efforts such as those of Mr. Holmes, would strike at the primary economic problem with high prospects of a rapid response.

Efforts to assist Indian agriculture under the proposed Mutual Security Program would be directed toward the use of land not now in use, the provision of good seed to sow the land, and fertilizer and water to nurture the seed.

Several types of projects will serve to illustrate the program which can be carried out in India with United States assistance. Three million acres of land presently overgrown with grass and jungle can be reclaimed and put into the production of additional food grains. Better seed, implements and techniques could be introduced through agricultural extension projects. Indian agriculture now lacks sufficient fertilizer. Advantage may be taken of available raw materials to construct additional fertilizer manufacturing plants which could be expected substantially to increase production within about 18 months. A project for sinking tube-wells can provide ground water irrigation for over a million acres and make available for production additional acreage which has been lost through saturation.

A fisheries project can take advantage of what are at present India's partially utilized resources for deep-sea fishing; the food made available would constitute a substantial addition to the protein content of the average Indian diet. Technical assistance can be provided for geological survey work to facilitate India's production and export of scarce materials. Technical assistance can also be provided in a variety of other fields including vocational education and public health.

Essential economic development in India will require considerable grant aid in addition to the limited additional amounts it may be able to borrow. The proposed United States aid under the Mutual Security Program will help fill this gap. Nevertheless, it is expected that India will supply almost all of the local currency costs of the program. It is contemplated that the administration of the program will be undertaken by the Economic Cooperation Administration, with a small ECA mission.

Without foreign assistance the Government of India will of necessity have to postpone or abandon certain of its critically needed development programs in order that it may devote larger quantities of its capital to current and consumer needs.

An aid program could also be expected to demonstrate to the people of India that it is possible for a country to enter into cooperative arrangements with another foreign country in such a manner that there need be no infringement of traditional concepts of state sovereignty and freedom of action. An important byproduct of a program of aid to India would be the beneficial effect of day-to-day contact between Americans and Indians at the working level.

A response on our part to India's pressing need for assistance in raising or at least in preventing a further decline in living standards would clearly demonstrate our basic good will toward the people of India and give them tangible evidence of our willingness to assume some responsibility for critically needed aid when such aid is necessary to defend freedom-loving people against threats of force or subversion and to prevent the perpetuation of unendurable conditions of life.

PAKISTAN

Pakistan, the fifth largest nation in the world, and the largest Muslim country, emerged as independent when the British withdrew from India. An important link between non-Communist Asia and the Near East, Pakistan occupies a prominent position in the Muslim world. It is a member of the Commonwealth with a federal form of government. The members of the Government of Pakistan are those who led the independence movement which led to Pakistan's birth. The people of Pakistan, like those of India, looked forward to great economic betterment following the achievement of independence. They have assimilated western education and political tradition, and are strongly oriented toward the west, particularly the United States. The inability of the Government rapidly to bring about progress in improving economic conditions in the new nation adversely affects its political position.

The Government of Pakistan has taken active measures to repress internal Communist activity. While Pakistan has recognized the Communist Chinese Government, it is clearly aware of the aggressive aims of communism, and seeks the friendship of the United States and the non-Communist countries.

Its basic problems of a low standard of living and lack of basic industrial development were compounded by the problems of partition which left Pakistan divided geographically. In approximately 370,000 square miles, Pakistan has a total population of over 75 million, of whom 42 million are in eastern Pakistan. Density of population per square mile is approximately 207 for all Pakistan and 773 for eastern Pakistan.

Roughly 75 percent of Pakistan's national income is derived from agriculture and over 80 percent of the country's agricultural production is confined to two principal food grains—rice and wheat, and two cash crops—raw jute and raw cotton. Rice production amounts to about 8 million tons a year and about meets the nation's requirements. Under good crop conditions, Pakistan produces about 4 million tons of wheat annually, of which about one-half million tons are available for export.

Pakistan lacks the basic mineral resources for large industrial undertakings, although small quantities of coal, petroleum, gypsum, limestone and chromite are produced. Most of Pakistan's chromite is exported to the United States. The country's few industries consist mostly of cotton mills, jute presses, railway shops and foundries, sugar and flour mills, and two small petroleum refineries. Although it has potentially important hydroelectric sites, actual facilities for electric power are still modest.

Since adequate capital for development is lacking internally Pakistan looks abroad for assistance. It has accepted assistance from the United Nations; it actively cooperates in the Colombo plan; and it is accepting bilateral assistance from the United States under the point 4 program. As yet, only limited progress has been made in carrying to completion the plans drawn up under these various auspices.

Under the Colombo plan, Pakistan plans for developmental projects contemplate a total expenditure of \$780 million in public funds over a 6-year period plus an additional \$140 million in private investment. In the governmental sector, more than a third is devoted to agriculture, a fourth to transportation and communication, a fifth to fuel and power, and the remainder to smaller industrial, housing, educational and health programs. For the Pakistan part of the financing of this program, strong reliance is placed on an extremely favorable change in the present condition of the budget, the balance of payments, and the volume of internal capital formation in Pakistan.

To date Pakistan has not made any loan agreements, although discussions are now under way for arranging a loan with the World Bank. Yet it is unlikely that Pakistan could borrow and service international loans in sufficient amounts to finance all those economic development projects which are essential if economic and political stability are to be assured.

Lake India, Pakistan is a new country that had to organize its economy overnight in the face of a vast influx of some 5 million refugees without sufficient capital resources to meet its economic problems. Taking Pakistan as a whole, population pressure on the land is less severe than in India but, on the other hand, crop yields are generally lower. Practically none of the industrial installations of undivided India went to Pakistan. Thus the country finds itself with a large refugee population who must be cared for with an economy producing valuable raw materials but devoid of manufacturing facilities, and with an extreme shortage of technically trained personnel. Favored by a steady demand for its raw materials, Pakistan has made some strides toward solving its economic problems. Nevertheless, because of the scarcity of funds and trained technical personnel, it has hardly begun to realize its economic potential.

Outside economic aid is needed to increase agricultural production and diversify the economy of the nation, so as to raise the standard of living, and to create stable internal economic conditions. There is every reason to believe that once the initial impetus is given, internal capital will be encouraged to participate in making further progress.

The economic assistance proposed under the Mutual Security Program is designed to assist the Government of Pakistan in carrying out its own program of essential economic development. The Mutual Security Program of economic assistance would concentrate on the improvement of agricultural techniques by the introduction of American extension methods, improved implements, and by encouragement of the use of fertilizer. The proposed program would provide for the introduction of tractors for the reclamation and tilling of large areas so as to achieve the optimum utilization of larger tracts of land. In addition to a direct attack upon the low standard of living in Pakistan, increased agricultural production will benefit all of south Asia. The reclamation of land, particularly in the Thal region, will go far to resolve the refugee problem in Pakistan, by putting reclaimed land at the disposal of refugees. It is anticipated that the application of fertilizer, chiefly ammonium sulfate, to the land can be expected to increase yields up to 30 percent.

The program can also sponsor the introduction of modern methods of rapid road construction. Pakistan's roads have never been fully repaired after suffering considerable deterioration during World War II. Assistance in this field will make an important contribution in improving distributional facilities of the country. Vocational education would also be stimulated by aid in the establishment of technical trade schools. A geological survey would be of considerable help to Pakistan in gaining a better knowledge of its resources. It is hoped that the proposed program will be administered by the ECA through a modest size ECA mission.

If no United States aid were provided, the Pakistan Government would find it difficult to provide the improvement in economic conditions that the people have been expecting as a result of their new-found independence. As in most countries, so in Pakistan political stability is directly related to progress in the improvement of the lot of the common people. In Pakistan there is a firm belief that the Government is responsible for any major economic development. This feeling is more than local and tends to become cumulative as one goes from the local level to the central government.

The Communist Party is attempting to increase its influence, particularly among the large number of refugees who have not yet been successfully assimilated into the Pakistan economy. Although the Government continues to enjoy wide popularity, it must make substantial progress in its efforts to improve living conditions for the people in order to maintain their support.

AFGHANISTAN

Afghanistan, with a population of about 12 million, is an important and strategically located country of south Asia. Afghanistan is land-locked, surrounded by the Soviet Union, Pakistan, and Iran. The population is agricultural and in part nomadic. Its agricultural economy is primitive with relatively few opportunities for the accumulation of private savings. Living conditions are extremely poor. It is, however, a primary source of karakul skins for the United States. Potentially Afghanistan is rich in mineral resources which, so far, have been only partially explored. Manufacturing and communications and transportation facilities are in an elementary stage of development.

Beginnings of a systematic program for the development of light industries and mining were made between the two World Wars, but the country still is almost completely dependent on imports for petroleum, machinery and vehicles, building materials, textiles, and other consumers goods of many types. During World War II, Afghanistan was able to accumulate considerable foreign exchange reserves by exports of karakul skins, raw cotton, hides and skins, wool, fruits and nuts. These reserves, supplemented by an Export-Import Bank loan of \$21 million, have been committed to a number of large river valley development projects some of which are nearing completion ahead of schedule. They involve the production of hydroelectric power, the irrigation of large tracts of potentially fertile land, and significant improvements in the country's transportation systems. These projects will create opportunities for the settlement of seminomadic and nomadic tribes and will thereby contribute to the political stability of the area as well as to its economic progress.

The concentration of the country's resources on these major projects has limited the resources available for strengthening other aspects of the Afghan economy, namely, manufacturing and mining. United States economic assistance to Afghanistan other than the loan already mentioned, has not been great. It has been supplied primarily through technical assistance for the development of Afghanistan's basic mineral resources and improvement in technical skills. United Nations technical aid has also been extended in limited amounts. The small program proposed is addressed to one of the principal shortages that presently hamper economic development in the Kabul area: the lack of coal for heating and manufacturing purposes. Expert advice has been obtained, and equipment for a fivefold increase in coal production has arrived at Ishpushtu, the principal mine. The proposed program would make its contribution in assuring the distribution of the coal where it is needed.

Afghanistan's needs for economic development are great and frustration of oft-deferred improvement would offer attractive opportunities for subversion nevertheless. Afghanistan is determined to cope with these problems and is putting forth admirable effort. Therefore, while proposed United States economic assistance to Afghanistan is small it will give encouragement and support to the programs already developed under Afghan initiative.

CEYLON

Ceylon is an island of 25,322 square miles with a population of 7¼ million. It became an independent country and a member of the Commonwealth in February 1948.

The Government is under constant criticism stemming from rising prices and slow progress in carrying out programs of economic development. Ceylon's Government leaders are now making a sincere effort to improve living conditions.

Ceylon is of great strategic importance to the United States. Undeveloped, yet rich in certain important resources including graphite and rubber, Ceylon has been seeking foreign economic and financial assistance to carry through important agricultural and other developmental projects. In common with the other countries of south Asia, Ceylon is prone to think that in the distribution of financial aid to foreign countries, it has been neglected despite the urgency of its need. As in the case of the other countries of south Asia antidemocratic forces in Ceylon are able to capitalize on the slowness of economic progress and entice the people to communism as the panacea of their social and economic ills.

Ceylon depends on imports for 60 percent of its food grain supply, and it pays for these imports almost entirely by exports of rubber, tea, and coconuts. In periods of high prices for these exports and when food imports are easily available, Ceylon prospers. On the other hand, a drop in raw material prices and shortages of food grains spell hardships for Ceylon's population. This excessive dependence on an unstable export economy is not imposed upon the country by the character

of its natural resources, but is the product of historical developments. The Government of Ceylon wishes to rectify the existing imbalance of reclaiming part of the present jungle for the cultivation of food crops, restoring the ancient irrigation works and increasing production on the land now under cultivation by the use of better methods.

The United States program proposed for Ceylon is designed to supply expert assistance for programs that the Government of Ceylon is planning to finance largely with its own resources. The three fields in which such assistance is to be given are agricultural extension, water resources surveys, and the production of educational training films.

NEPAL

Nepal lies astride the Himalayan passes that lead from Tibet to the Ganges plain of northern India. Most of Nepal's 56,000 square miles are mountainous and communications are almost totally lacking. Nepal's population is estimated at about 7 million.

Nepalese leaders took to the United States for assistance and support of their country's independence. The great interest shown by the Nepal Government in technical and economic aid for developing the country's resources has resulted in the recent signing of a bilateral agreement with the United States for assistance under the point 4 program. This assistance program, although small at the moment, is being actively pursued by the Nepalese.

There is no important mineral production at present in Nepal, although the Government of Nepal is anxious to secure American assistance in increasing production and in utilizing untapped mineral resources. Likewise, agricultural production is low. The proposed program for Nepal is concentrated in two fields. The program will supply (a) United States agricultural experts who will assist local officials in raising the present low yields, and (b) a mineral expert who will assist in determining the extent of the country's mineral resources and the feasibility of their development.

Finally, a general statement regarding United States objectives in South Asia. They are simple and well known. We desire the enduring friendship of the countries of south Asia—a friendship based on mutual confidence and integrity in international dealing, on our common devotion to accepted principles of international law and conduct, and our common respect for the independence of nations and their right to develop in accordance with their own genius. The governments and peoples of south Asia share three aspirations: They want to maintain their independence; they wish to join in collective efforts to maintain world peace; they wish to improve their living standards. These are the aspirations of the American people as well.

Without exception these countries of south Asia are beset with tremendous internal problems—problems of such magnitude that they might well stagger more experienced governments and put a strain on stronger economies. In their understandable preoccupation with these immense local problems during a period when other free countries are learning through bitter experience of the insatiable aggressiveness of international communism, some of these countries have sometimes regarded the threat of Asian communism as less immediate than we. This difference in emphasis need not obscure the fact that they are determined to remain free and that they are pledged to resist external attack.

The national independence of these countries rests on a continued political stability and on economic progress—progress that will be apparent to the common man in what he eats and wears. Economic progress has so far been dangerously insufficient to insure political stability. A program of economic assistance to the countries of south Asia will serve to accelerate essential economic improvement, and by strengthening the countries of south Asia will reinforce the security of all other nations of the free world.

Chairman RICHARDS. If you have anything else that you can think of which is particularly pertinent to the question we are discussing right now, I wish you would go ahead and say it.

Mr. McGHEE. I will be guided by our committee's wishes.

Mr. VORYS. I wondered if Mr. McGhee has a general statement of the program in south Asia. It might save time now merely to receive it and file it. He would know better than we whether we should hear it at this time, or at least a summary of it.

Mr. McGHEE. Why I raise this matter is that the particular question that Mr. Vorys has asked comes under the program of Mr. Horace Holmes, whom we brought from India to testify on this point. I thought after you heard Mr. Holmes testify this morning—

Mrs. BOLTON. Does it make any difference?

Mr. COOLIDGE. I think I can answer that question. We did not have him on the list. We were not sure he was going to arrive. He is an integral part of the program.

Chairman RICHARDS. What phase would he be most conversant with, and similarly what about Mr. Loftus?

Mr. McGHEE. Mr. Loftus has been responsible for the development of this over-all Title III program. In the Department, he is Economic Officer for the Near Eastern, South Asian, and African Bureau.

Chairman RICHARDS. You would know which would be the best man to give us the information on the particular subject we are discussing, Mr. Loftus or Mr. Holmes.

Mr. McGHEE. Mr. Chairman, with your permission, sir, may we proceed in this way: My particular responsibility covers India, Pakistan, Nepal, Ceylon, and Afghanistan. May I make a brief presentation covering that area, to supplement what Mr. Rusk said yesterday?

Mr. Rusk gave an over-all statement in connection with title III. Since his particular responsibility in the Department does not cover the south Asia territory, I think he left for my bureau the presentation of that program.

Chairman RICHARDS. The thing I was interested in was letting you outline the procedure as to making the best case for the part of it that you are interested in.

If you think it is best to make your statement now, do that.

Mr. VORYS. What you have lined up this morning is a kind of clean-up on title III, and these fellows would know the kind of stuff we want. I certainly do not want to pop a question ahead of time that will come up in the orderly way later and throw you off base.

Chairman RICHARDS. That is exactly what I am telling the Secretary. I want him to either proceed now along that line or call on the man you think best can give us the information.

Mr. McGHEE. With your permission, I will file this statement and make a brief statement of my own, and call on Mr. Holmes.

Mr. Bennett, who is in charge of the TCA program, and who was scheduled to testify, is overseas on official business. Mr. Bennett will be back on Thursday of this week. If your committee desires, he will be available for testimony at that time.

I would like to state, first of all, that for south Asia we request no grant for military assistance. We see no need for it. The countries have not requested it strongly. We do not find it in our interest at this time to offer it.

We do request funds for economic assistance for this area. This area, as we described earlier, includes the independent countries of south Asia—Afghanistan, Pakistan, India, Nepal, and Ceylon. There are some 450 millions of people, covering a million and a half square miles.

Mr. LANHAM. Mr. Chairman, can I ask a question that is bothering me? Mr. McGhee has said that they have not requested any military aid. I wonder if they have requested this ECA aid or this other aid, or is this program something that your Department is proposing without any requests from these countries for aid?

Mr. MCGHEE. Mr. Lanham, the countries that we propose aid for have in various ways, either formally or informally, let it be known they desire aid from us. We request no aid that we do not feel it is in our interest to provide.

The existence of a formal request covering the specific amount that we ask for, we do not consider as a necessary precedent to our extending aid.

You can be sure, sir, we would not wish to give aid to anyone who would not desire it. In the case of these countries, we know they desire it.

Madame Pandit, the Indian Ambassador, in a speech last week, stated clearly that the Indians needed our economic aid in their agricultural development. As a part of the Colombo plan, which includes three of the countries here under discussion, a specific appeal was made to other countries, not naming us in particular but meaning countries like ourselves who were in a position to do so, to assist them in carrying forth their over-all plan on a 6-year basis.

In the case of these countries you have as formal a request as anyone could expect from the countries who want our assistance, and where we feel it is in our security interest to do so.

Mr. LANHAM. Thank you.

Chairman RICHARDS. Is it not a fact, Mr. Secretary, that in going into this area and doing the things that are proposed here, you mention it is pretty hard to pass on the question of whether or not you had a formal request by a government as such, and after all the provision of these funds for the specific area, and elsewhere, is based on the theory that by spending this money we will be carrying on the general battle against the expansion of communism; is that not right?

Mr. MCGHEE. That is correct.

Chairman RICHARDS. And sometimes it may be wise. I doubt that the general rule will allow you to make proposals yourself to do certain things to help these areas; is that right?

Mr. MCGHEE. That is correct, sir. The assistance could not be effective if the recipient country did not desire to have it, and would not make proper use of it. On the other hand, there are many situations in which the initiative for the assistance could well come from us. They may not have thought of it.

Chairman RICHARDS. The basis for that initiative should be the over-all world picture and the danger of communism; is that correct?

Mr. MCGHEE. That is correct. I think we would be in a dangerous position if we reacted only to requests. The requests may be far in excess of what we should furnish. Many of the countries in the Middle East and Asia are new countries. They are self-conscious about being new countries. They are proud. They are reluctant to make requests, particularly where there is a danger that the request will be turned down. They feel it might be an indication of weakness; that they recognized our powers over them.

Chairman RICHARDS. And they might be afraid to make requests, like Czechoslovakia, Poland, and all in the European set-up when Russia laid down the law that you cannot participate?

Mr. McGHEE. That is correct. In any event, before the assistance is given, you may be sure there will be a bilateral agreement to cover all of the points under which the aid will be given.

It will be evident that they want the assistance and will use it properly.

Mrs. BOLTON. Mr. Chairman, are we not going to withhold our questions until the Secretary has made his statement?

Chairman RICHARDS. If it is the gentlewoman's wish, we will do that.

Mrs. BOLTON. I thought we were going to do that.

Chairman RICHARDS. That rule will apply to you as to any of the rest of them.

Mr. McGHEE. I will try, Mr. Chairman, to keep my remarks as brief as possible.

South Asia is the most stable area that exists today in Asia, which includes countries that are oriented to the West, that cooperate generally with the West, that are aware of the internal problems of communism and are determined to defend themselves against aggression.

One finds elsewhere in Asia much instability and even actual warfare. In this area are 450 million people, one-fifth, approximately, of the people of the world, and about a third of the people in the free world. They have relatively stable middle-of-the-road governments. They cooperate with us and are people with whom we can work.

If we should ever lose these people to communism, if they should be added to the 800 millions already under the control of communism, that would give communism the majority of the people in the world. I, myself, would be pessimistic about the future of the relationships between the free world and Asia, or indeed the future of the free world itself, if that ever took place.

If one turns to the individual countries in this area, India, of course, looms largest, both in terms of size and population. India has 350 millions of people. It is the largest one country of the free world. India finds herself in the position of having a great excess of population in respect to available resources. They have a low income, some \$50 or \$55 a year per capita, compared to \$1,450 in this country. Yet, India is extremely important to the Western World, both from the standpoint of its people and its mineral and other material resources.

We, for example, receive some 36.7 percent of our manganese from India; some 87½ percent of our mica and some 82½ percent of our burlap. The Indians, on the other hand, depend to a considerable extent on the west. They must, even in good crop years, import a million to 2 million tons of wheat a year from the west. They obtain all their oil products from the west.

The agricultural yields of India and the productivity of its industry are extremely low. The Indians, for example, consume only one-half of 1 percent per capita of the electricity that we consume; 1 percent of the steel; 2½ percent of the coal. Some 70 percent of the people of India are farmers. Their productivity is only one-half of ours. They produce 750 bushels of rice per acre as against 1,400 in this country.

India has all the problems of a new state, the establishment of an effective administrative organization, the problem of balancing her accounts with the rest of the world in which she is projected for the first time, the problems of acquiring political maturity and developing trained leadership. This has been added to the problem of her low productivity and her very large population. You are aware, of course, of the request which India made upon us recently, and which this committee acted upon in a most forthright way, to assist in meeting a grave crisis arising out of a short crop in their grain production.

I am glad to report that the reaction in India to this generous gesture on the part of this Government in making available \$190,000,000 on a loan basis to purchase this wheat has been most salutary. It has contributed to the favorable editorial comment that we now find in Indian papers with respect to this country.

This country has also given some point 4 assistance during the past fiscal year. We assisted India last year by subsidizing sorghum going to India to meet their grain needs to the extent of \$7,000,000. Some of this help was in the form of an ECA advance from its "general area of China" funds; the balance was in the form of concessionary price worked out with the Department of Agriculture. The International Bank has loaned some \$62,000,000, largely for river development projects. The Indians, together with the other southern and southeastern Asia countries, have entered into the Colombo plan. Under this plan India would, within a 6-year period, expend some \$4,000,000,000 for their economic improvement. This economic development would cover all phases of the Indian economy. They would utilize to a considerable extent their own indigenous currency and resources. They would also depend in the carrying out of this plan on some \$1,110,000,000, in dollars, of which part would have to come from outside sources.

This, as I stated previously, is in a sense a formal request from India, as a part of this larger Colombo plan, to assist her in her development. The response we propose here could well be considered our response to the Colombo plan.

I might also say that the grain which is to be furnished and which will generate at least \$150,000,000 of rupee equivalent in India can also be considered as contributing to the Colombo plan, since a large proportion of these funds we would hope would be devoted to the Indian 6-year Colombo plan development program.

I might just briefly review here the present Indian political policies, because they have in the past been a matter of some concern to the Congress and to the American people.

It is clear, as Mr. Nehru stated in the excerpt I read, that India is aware of the problem of internal communism, even though she has not been as aware as we would like of the danger of external Communist aggression. India has stated clearly she would defend herself against aggression, if it comes.

India has in general cooperated in the United Nations with us and the other countries of the West. The principal point of divergence that has arisen has been with respect to Communist China. There we must face clearly the fact that India has had a different policy toward Communist China from the policy which this country and other western countries have had.

As you know, the Indian Government voted for the basic Security Council resolution with respect to aggression in Korea, but as you know also, she did not participate in the resolution branding Communist China as an aggressor.

India has shown a natural tendency to attempt to see in Communist China the best that she possibly can, as a fellow Asian. She has not felt that Communist China has had aggressive designs vis-à-vis the other Asian countries. I think that has been the basic difference between us.

India did supply an ambulance unit for the Korean War, although, as you know, she did not supply troops. There exists in India a feeling of neutralism with respect to the so-called cold war. The Indians do not feel that it is their conflict. We think they are wrong, of course, and we attempt to refute their arguments, but they see the cold war as a great power struggle between the Russian system and the West, and they would like to stay out of it.

They feel themselves weak economically, and would like to have time in which to develop themselves before they are projected into the struggle, if the struggle must continue. They still have a considerable reaction to the period of their colonial existence. They are afraid of any country or system which has enough power to exert a strong influence over them, because they are determined to preserve the independence which they have won. This applies to some extent even to us in that they do not want to be dominated by us or any other country, either economically, culturally, or politically.

The program we propose here for India is basically agricultural. It is basically directed to the problem of overcoming the great deficiency which India has in her production of food grains and other food products. India must normally, even in good years, import up to 2,000,000 tons of grain. The program which is given to you in detail in the breakdowns directs itself to this food production problem in a number of specific ways.

For example, it directs itself to assisting the Indians in the reclaiming of some 3,000,000 acres of land which have been overgrown by the Kans grass, a type of grass that prevents other crops from being grown on this land. This grass is very difficult to exterminate.

The program includes expansion of agricultural extension services which have been so successful in India, and particularly the project under Mr. Horace Holmes. We are fortunate to have Mr. Holmes with us. He left India last Friday to come back and testify before your committee as to the great possibilities that exist in India in increasing food production. In the area in which he has worked food production has been increased as much as 50 percent through extension methods, demonstrating better seeds, better plows, and so forth.

In addition, this program would anticipate the building of more fertilizer plants. One of the best ways to increase agricultural production is to make cheap fertilizer available to the farmer. This offers more possibilities than the expansion of agricultural lands, since the total amount of land that can be brought under cultivation is limited.

The one largest expenditure in the program is for the drilling of some 3,000 tube wells which would bring under irrigation, land which is not productive now or only sporadically productive at a low level,

because of the uncertainty of rainfall. This would be a comprehensive project including geological work in locating the correct ground water levels and the drilling of wells.

In addition, there are projects proposed for fisheries and geological surveys in helping map mineral resources of India which are not yet developed.

I might say in connection with India's mineral resources that we currently obtain from India quite satisfactory quantities of the manganese, mica, and chromite. India makes them available to us without any restrictions. In addition to the specific projects that I have just described, there are others that I should be happy to discuss with you.

(Discussion off the record.)

Mr. McQUEE. When one turns to the other countries of south Asia one finds in Pakistan a somewhat different problem. It is a Moslem country and looks to the west, whereas India looks to the east.

Pakistan is the largest Moslem country and has 83,000,000 people, of which slightly more than half are in eastern Pakistan and the remainder in western Pakistan. It is a food surplus country. It produces 8,000,000 tons of rice and sufficient wheat in excess of its needs to be able to export to India some half-million tons a year. It does have a need for expanding its industries. In the partition Pakistan got almost none of the industries of old British India.

Pakistan still needs, however, to improve its agricultural methods. Seventy-five percent of its income comes from agriculture, mostly wheat, rice, jute, and cotton. It also needs to develop its hydroelectric power and start industries which can give it a more diversified base and assist in raising the standard of living which, like in India, is very low.

(Discussion off the record.)

Mr. McQUEE. Ceylon is a deficit country in food. She must import some 60 percent of her food, and she can pay for it during times of good prices for her products—her rubber, graphite, and tea—but normally it is difficult for her to pay for her imports. We would like to help expand agricultural production and assist Ceylon in other ways through technical assistance.

In the case of Nepal, a country of some 7,000,000 people, landlocked behind India, up against the Himalayas, we would like to assist these people, who are just awakening to the modern world, and help them in developing their resources. They have unexplored mineral resources which may be of great value. We propose for them a very limited program of technical assistance, one of the most important aspects of which would be mineral surveys.

Afghanistan is a country which is also just awakening to the possibilities of economic progress. With funds which Afghanistan saved during the last war she is engaged in a very large program of development of her water resources. This has been supplemented by some \$21,000,000 from the Export-Import Bank. The firm of Morrison-Knudsen is now building a great dam on the Helmand River there.

We would like to assist Afghanistan principally through technical assistance in making more modern her present exploitation of coal and chrome, and assisting her in developing her agriculture both in the areas where there will be water for irrigation and in the valleys of

Afghanistan, which now raise the wheat and other products which the Afghans need.

Mr. Chairman, I will not take any further time. I would just like to summarize that we have here in South Asia a stable group of countries, all with middle-of-the-road governments; all oriented to the west; all aware of the problem of internal communism, and all cooperating in general with us in the western countries.

We would like to present the assistance requested for South Asia as a sound investment on the part of our country to assist these peoples, to whom we have not previously extended grant aid, in overcoming the basic development problems which they face in raising the very low standards of living of their people.

We feel that this modest program, making full use of the technical assistance component which is included, will not only give these people a start, but would also give them the incentive to cooperate more with us, and would help overcome the feeling of neutralism which unfortunately has tended to exist.

With your permission, Mr. Chairman, I will either hold myself subject to questioning, or we can have Mr. Horace Holmes testify more in detail about the agricultural extension work.

Chairman RICHARDS. I suggest we call Mr. Holmes.

STATEMENT OF HORACE HOLMES, AGRICULTURALIST FOR THE DEPARTMENT OF STATE AND DEPARTMENT OF AGRICULTURE

Chairman RICHARDS. Mr. Holmes, what is your position?

Mr. HOLMES. Mr. Chairman, I am chief agriculturalist under the point 4 program in India, and also on loan to the Government of India as extension adviser to that Government.

Chairman RICHARDS. Do you act in any other capacity, such as coordination activities, or cooperation activities?

Mr. HOLMES. Yes, sir. There are quite a number of efforts being made through the FAO, and there is a developing program now of technical assistance being offered by the Danes that we are trying to tie together the various efforts in, all aimed at trying to help India help herself.

Chairman RICHARDS. Are you employed by the State Department or ECA?

Mr. HOLMES. I am employed by the State Department and borrowed from Agriculture.

Chairman RICHARDS. And you are under the point 4 program?

Mr. HOLMES. Yes, sir. TCA.

Chairman RICHARDS. Is there any comparable function of the ECA, as such, in your field there?

Mr. HOLMES. There is one man there now whose main function is to observe and report deliveries under the food grain loan program. He has more or less done some exploratory work. He has arrived just recently. There is no ECA program in India as yet.

Chairman RICHARDS. How long have you been in India?

Mr. HOLMES. Three years—a little over 3 years.

Chairman RICHARDS. What I was trying to get at is whether you had any other duties in addition to your agricultural duties? I mean, such as the matter of cooperation and coordinating the program.

Mr. HOLMES. We are working on agriculture. As such, we are trying to use every available source of help we can and coordinate that into this agricultural program. Our primary function is agriculture.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. You could not have been with point 4 for 3 years.

Mr. HOLMES. No, sir.

Mr. VORYS. Were you under the Department of Agriculture?

Mr. HOLMES. No, sir. I was employed by the Indians themselves first.

Chairman RICHARDS. And you have been under point 4 from the inauguration of the program?

Mr. HOLMES. Yes, sir. Since the earlier part of September—September 9, I believe it is—of last year.

Chairman RICHARDS. The Department of State borrowed you from Agriculture?

Mr. HOLMES. Yes, sir.

Chairman RICHARDS. Go ahead, sir.

Mr. VORYS. India borrowed him from Agriculture.

Chairman RICHARDS. I thought when he finished his duties with India his status reverted back to Agriculture.

Mr. HOLMES. It did.

Chairman RICHARDS. And State got you from there?

Mr. HOLMES. Yes, sir. You see, I went to India first as a private individual paid by the Indians themselves. I was there under a 2-year contract, which I completed in April of last year. Then I came back to the States and went back into Agriculture, where I originally came from, and was borrowed from Agriculture by State, that is, by TCA.

Chairman RICHARDS. When you went first to India to work for the Indian Government, were you in Agriculture then?

Mr. HOLMES. Not at that time, but I had been.

Chairman RICHARDS. But you have been since then?

Mr. HOLMES. Yes, sir.

Chairman RICHARDS. Are there any other questions about this background?

Mr. SMITH. Did you work under Mr. Dodd in the Department of Agriculture?

Mr. HOLMES. Under whom?

Mr. SMITH. Who is the man in charge of FAO?

Mr. HOLMES. That is Mr. Dodd. When I came back to the States in the spring of last year they asked me to do an extension bulletin for them. I thought this work should be done because I thought it was part of an over-all program that should be done.

I do act now as a consultant to them in that part of the world.

Chairman RICHARDS. Go ahead, sir.

Mr. HOLMES. I have not prepared a statement, but I would like to tell you just a few simple things we have been doing that we think are important. It holds some hope where so many people feel that there is not too much hope. I will make it very brief, Mr. Chairman.

India is such a huge country and with such complex problems that at first we are inclined to think that the whole thing is hopeless, but it is not at all. Our efforts have been to try to get into some specific

areas and get down to a specific problem and concentrate on that, so as to find a place or way in which we can do something, and then spread it horizontally. Otherwise we get so involved that we do not know where we are.

It is on this basis that we have been working up in the northern end of India. We have done work now in the United Provinces. We have three areas we are working in now, each about 100 square miles.

Our approach has been to find somebody who wants to do something, and then find out something they can do with what they have. Frequently we have to search a good bit to find simple things that will give results, but we have been able to do so, and I will give you one example.

In the northern part of India, the whole Ganges Basin slopes eastward about 1 foot to the mile. It is a huge, flat area of silt and fine sandy-loam soil. Wheat is produced in the western end of the Province and rice in the eastern end. There is a map here which will make it a little easier to explain.

In this area, the yield of wheat has been about 11 to 13 bushels. The farms are very small. The methods they are using are just about the same as they were 2,000 years ago. The farmers have made very little change. The first thing they need is hope. They need to see something can be done, and that is where we have started.

In the first instance, they had all kinds of ideas, but centering in a small area like this we tried to find something they wanted to do that could be done with what they had. It is on this basis that we came in and got some better seed wheat and also changed their plows a bit.

For example, in the southern part of the United States it requires about 3½ days to grow and harvest an acre of wheat. Under the methods the Indian farmers have used out there, which has been going on for centuries, it requires 69 days to grow and harvest an acre of wheat, and their yield is much less than the yield we get here in our so-called backward southern mountain countries.

So we take the position that the only way those people can have more is to help them produce more. You just cannot divide it any other way and come out with an answer.

We found that by demonstrating and training a group of men to work with the farmers on their own farms, that when farmers once see that a new practice is useful they would adopt it. As a result of the simple practices used our yields of wheat increased by 67 percent on the demonstrations. In addition to improved seed, improved plowing, and the growing of legume crops, the farmers began using straw, cow dung, waste, scrap, trash, and anything they could get to make compost, which was spread on their fields. This past year we doubled the wheat yield on those demonstration areas.

I do not think the yields of India can be doubled quickly, but I do think judging from our experience in these areas, that we can help them do a great deal.

We had one man this year who harvested 63 bushels of wheat per acre, which is good wheat. That sort of thing has given them quite an incentive to try to do something more.

The average yield of potatoes was about 113 bushels. Their seed was poor and diseased. In addition, the farmers did not know how to use legumes in rotation and to plow the legumes under in order to

increase their crop yields. By demonstrating these simple things, the yield of potatoes has been more than doubled. One man this year struck a new high by harvesting 725 bushels of potatoes per acre.

The total increased amount of food we have been able to achieve in these small areas, while it is important to those areas, is lost in the magnitude of the whole food problem. It does show, however, that there is a way that India can feed herself.

We are working now on about one twenty-five hundredths of the country. We realize that this is small, but we have had to bite off small enough areas so that we could work with them and get something done.

As a result of the work we have been doing, Madras—the little state of Mysore and Madhya Pradesh, Bombay, Punjab, the United Provinces—and Bihar, have all requested technical assistance from us.

What we are trying to do is go to each of these areas where the problem is somewhat similar and set up one or two or three projects, and try to find out what we can do to help them to do better, and then train their people and expand it.

That, Mr. Chairman, illustrates what we have been working on, and those are the methods we are using. We have found the Indian farmer is just like the farmer anywhere else. He is skeptical. He is not going to listen to somebody talk, but he will certainly follow if you show him something that helps him.

In that I think we are very fortunate, because otherwise they would have a lot of trouble. We are fortunate because we must prove our technique.

Chairman RICHARDS. Have you finished your statement?

Mr. HOLMES. Yes, sir.

Chairman RICHARDS. How much does one of these small projects cost the United States, would you say?

Mr. HOLMES. So far we have only put in technical assistance. This means the salary of the American workers. Most of the cost has been borne by India.

Mr. HERTER. How big an area is that?

Mr. HOLMES. Usually 100 square miles.

Mr. HERTER. Actually, how many pilot farms are you working on now?

Mr. HOLMES. We are shooting at 18 pilot areas of 100 square miles each as our next group, but we have got to cover India pretty well with these demonstrations, just as we have done with extension work in this country.

Mr. HERTER. Can you get it down to a per-acre cost in new aid or technical supervision, and so on? I think that is what you were getting at.

Mr. HOLMES. This is total cost I am talking about, in India and otherwise. I would have to figure on getting it to that sort of a figure. Generally, though, a village will run about 500 acres, and that is about 150 families. You will have about 3 acres per family.

Chairman RICHARDS. Can you make us up a statement that will show the cost of these projects in area and so forth, to the American taxpayer? That is what I was trying to get at, because as I understood it, in the program you are working under, the know-how is provided by the United States, and I did not know whether there was any additional cost in addition to scientific instruction.

Mr. HOLMES. So far we have provided only some technical know-how. We are stuck in that many of the States cannot go ahead because they cannot finance it, but I would be delighted to get up a statement.

Chairman RICHARDS. In this program do you furnish any aid?

Mr. HOLMES. No, sir.

Chairman RICHARDS. Do you furnish any agricultural equipment for ploughing?

Mr. HOLMES. So far we have not. We need some, but we have not had anything to work with so far.

Chairman RICHARDS. To put on a real demonstration project you would need some equipment.

Mr. HOLMES. We need some equipment, and seed, and we certainly need to train some people. We have to train 60,000 men.

Chairman RICHARDS. You said two of these States invited you to come in and participate in the organization. They did not do that at first, did they?

Mr. HOLMES. No, sir.

Chairman RICHARDS. But they have seen what you were doing?

Mr. HOLMES. Yes, sir; we have had nine States that asked us to come in.

Chairman RICHARDS. I would like to know what the agricultural program that you have done there has cost over-all, and the cost of these projects, if you will put that in the record.

Mr. VORYS. Instead of putting it in the record later, I believe it is available in the room now.

Mr. MCGHEE. We have the breakdown on the proposed program. Mr. Holmes has been talking about the program in the past as he said they have not been able to do what they wanted to do in the past.

Chairman RICHARDS. You could not tell what the future program is going to cost? I do not think they can tell unless they have figures on the past project.

Mr. MCGHEE. We have the figure, Mr. Chairman, that it would cost some \$2,690,000 for supplies and some \$200,000 for trainees and technicians.

Mr. VORYS. But I am sure the chairman's question is what did his project cost in dollars?

Mr. MCGHEE. Under the point 4 program?

Mr. VORYS. Yes.

Mr. MCGHEE. We have that figure.

Mr. LOFTUS. The cost thus far is Mr. Holmes' salary only.

Mr. HERTER. May I get one point straight in my mind. You spoke of the improvement shown in these experimental areas through better wheat seed and seed potatoes. Where did that come from, and who got it?

Mr. HOLMES. We searched out something they have and did a good bit of experimental work. We tried to find something that is acclimatized and to increase it and demonstrate it.

Chairman RICHARDS. You talked about potatoes where the seed has gotten down to the point where it would not make anything. You have to get the seed from somewhere. Now, where did you get that?

Mr. HOLMES. From the experimental stations in India.

Chairman RICHARDS. In India itself?

Mr. HOLMES. Yes.

Chairman RICHARDS. You sold them on the idea that they have to have better seed and their own country has not been able to sell them on it?

Mr. HOLMES. That is right. We got the seed from the town of Putnar in Bihar, where there is a good potato growing section. We got the agricultural people there to select some disease-free seed and we planted it and arranged to save the seed and multiply it in that way.

Chairman RICHARDS. Mr. McGhee, you are talking about a \$2,000,000 figure. Is that over-all?

Mr. MCGHEE. No, sir. It is only part of the total program for India. The projected cost for this agricultural extension program we propose for next year is \$13,700,000. That sum will finance an expansion of what Mr. Holmes is trying to do.

Chairman RICHARDS. For all India?

Mr. MCGHEE. Yes, sir. It will not cover all of the half-million villages in India, but will spread this effort.

Chairman RICHARDS. On the program you have along this line you estimate that it will take \$2,000,000-plus next year?

Mr. MCGHEE. That is correct. \$3,700,000.

Mrs. BOLTON. Where would you get the people to do it?

Mr. MCGHEE. It will take 50 technicians, we estimate, and they will be recruited in this country. In addition, some 40 trainees would come here. That would cost totally \$800,000.

The actual supplies and equipment involved, including transportation, would cost us \$2,900,000. This figure includes \$860,000 for jeeps, parts, and supplies; steel for plows, \$1,000,000, which is the program Mr. Vorys referred to earlier; fertilizer, \$600,000; insecticides, \$300,000; and other supplies, \$200,000.

This would enable Mr. Holmes to expand greatly the program he has been doing on a very limited scale last year under point 4.

Chairman RICHARDS. What do you think about putting all this program which you are doing now under one administrator, like ECA, and let it go at that, or under some other administrator, or something like a central agency?

Mr. HOLMES. I do not know that I am competent. However, it would seem we need some coordination. Whether or not that is the way to do it I would not be competent to answer.

However, we are struggling along and feeling our way, and we are playing the thing by ear. That is why our programs have been so small, because we have got to find out where we stand. We feel we are ready to move on forward because the Indians are ready to go along with us, and we found out a lot of things we did not know, too.

Chairman RICHARDS. It would appear to me that is the best argument for some kind of central authority doing the thing, because there are a lot of people who feel in different ways, and go in a lot of different directions, and end up nowhere, or else end up in conflict.

Of course, you are not passing on that policy?

Mr. HOLMES. No, sir.

Chairman RICHARDS. Are there any further questions?

Mr. SMITH. I have some after Mr. Vorys gets through. Are we under the 5-minute rule?

Mr. VORYS. The 5-minute rule.

Chairman RICHARDS. All right, I will do that. It is the first time I heard you volunteer on that. That is good.

Mr. VORYS. There are certain reasons why others have suggested it.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. What was the budget for the point 4 work in India last year?

Mr. LOFTUS. \$71,000.

Mr. VORYS. \$71,000?

Mr. LOFTUS. Yes.

Mr. VORYS. That was a lot more than Mr. Holmes' salary then?

Mr. LOFTUS. Yes. Here is the breakdown of it for insertion in the record.

(The material has been submitted for inclusion in the executive session record.)

Mr. VORYS. Did you have a Government jeep?

Mr. HOLMES. We got a used jeep about a month ago and we just put a new engine in. We got our first United States Government vehicle 2 months ago.

Mr. VORYS. So you did all this that you told us about without a Government jeep?

Mr. HOLMES. The Indians furnished us vehicles.

Mr. VORYS. Yes, but we did not?

Mr. HOLMES. No.

Mr. VORYS. How many American technicians did you have under you?

Mr. HOLMES. During this past year we have had two in addition to myself. However, two have just arrived. We are just getting started now.

Mr. VORYS. How many native technicians have you?

Mr. HOLMES. Oh, we have probably 300.

Mr. VORYS. Three hundred?

Mr. HOLMES. Yes, sir, about 300.

Mr. VORYS. Have you trained 300 in a year?

Mr. HOLMES. This training has been going on now for a period of 3 years.

Mr. VORYS. Is it something you started under the Indian Government?

Mr. HOLMES. Yes, sir. We are just continuing building right on the same thing.

Mr. VORYS. Let me ask you this: You were there for 2 years under the Indian Government?

Mr. HOLMES. Yes, sir.

Mr. VORYS. Then did you come home, or did you simply go on to the point 4 payroll?

Mr. HOLMES. I came home for 6 months and went back, but we carried right on with work that we had started.

Mr. VORYS. How did you happen to come home? Did the Indian Government release you?

Mr. HOLMES. No, sir. My contract was up.

Mr. VORYS. And they did not renew, or you did not want to renew it?

Mr. HOLMES. I did not want to renew it.

Mr. VORYS. Could you tell us why?

Mr. HOLMES. Yes, sir. I could not afford to renew it.

Mr. VORYS. They did not pay you enough, you mean?

Mr. HOLMES. Yes; they paid me, but there are many items of expense that were not covered. I felt that I had fulfilled my agreement and the fact that they wanted me to stay was some satisfaction, but I did not feel that I could.

Mr. VORYS. Then you went out again. You understand I am interrogating you, but we all think you are the answer to a prayer and you are the fellow we wanted to talk to, and a very worth-while witness.

Mr. HOLMES. Do not hesitate, and I will be glad to answer you.

Mr. VORYS. Are those 300 technicians at work now?

Mr. HOLMES. Yes, sir.

Mr. VORYS. And they know about this? They are highly localized, though, are they not?

Mr. HOLMES. Most of them are country Indian boys that we have gotten from the villages and trained. Some of them are men we have gotten from the various agricultural departments and have trained.

Now, we train the trainers and get men to train the other men right in the field on the job. They are not well trained, but they are trained well enough to do a lot of the very important things we need to do, and they are continuing the work.

Mr. VORYS. We have been told by some of your friends from India, Mr. Miller for one, that there are just hundreds of agricultural college graduates in India, but their idea is that they want a desk and an office to sit in, and one vast problem is to get these fellows who know their stuff out in the field.

Is there anything to that?

Mr. HOLMES. There is a great deal to that, sir.

Chairman RICHARDS. Will the gentleman yield?

Mr. VORYS. Yes.

Chairman RICHARDS. Do they lose face if they go out and work?

Mr. HOLMES. The whole idea in the East is quite different from that which we have. There is too much of education for the sake of education. It is not the people's fault, but the whole culture is different. We have to break away from the idea that educated people do not work, because educated people must work if we are to get anywhere, and that is what we are trying to change there.

Mr. VORYS. Did you work?

Mr. HOLMES. I worked.

Mr. VORYS. You went into the fields and showed them what to do?

Mr. HOLMES. Our system is any job that is too dirty for me is too dirty for them. I think that is the way we have got to do it.

Mr. VORYS. What is the attitude of the Indian Government, the Department of Agriculture, toward your work?

Mr. HOLMES. Oh, they are very cordial; very cooperative.

Mr. VORYS. I have been told that the Department of Agriculture thought it was wonderful and hoped they could get it across the country. Is that true?

Mr. HOLMES. I do not know whether they thought it was wonderful, but they are cordial and our relations are most pleasant. Mr. Nehru appreciates it also. I was in his office just a few weeks ago and he has been most cooperative.

Mr. VORYS. This same sort of thing, though, has been going on—

Chairman RICHARDS. This rule that you called up is in operation, Mr. Vorys. You have had 5 minutes.

Mr. Carnahan.

Mr. CARNAHAN. I do not have any particular questions, Mr. Holmes, but I just want to say that the account you have given us of what you have done is to me an excellent example of what is being done, and what can be done under point 4. I think it backs the policy that the point 4 program should not be taken over as a military program at the present time.

That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Mr. Holmes, Mr. Vorys intimated that your fame has preceded you. We had a very interesting session one afternoon with Mr. Miller, and one other gentleman, who showed us the type of plows you were using over there. We became greatly interested in the kind of plow you had developed. I think you had developed it.

Mr. HOLMES. No. We did not develop it. We found it.

Mr. SMITH. You found it?

Mr. HOLMES. Yes.

Mr. SMITH. It was a kind of plow that was pulled by an animal, was it not?

Mr. HOLMES. A bullock. Yes, sir.

Mr. SMITH. Is there any place in India for tractors?

Mr. HOLMES. Yes, sir. They have quite a lot of jungle land. They have a lot of land that needs to be reclaimed, and they do need heavy power for that. They cannot do it with their bullocks. The bulk of their small farms, though, are bullock operated, and will probably have to continue to be. They do need power for their reclamation and jungle clearance, and that sort of thing.

Mr. SMITH. To furnish food for the people the bullock-operated plow, as you call it, is the one that is greatly needed. Is that right?

Mr. HOLMES. They need both, but they need more of the bullock plows. They will be on a bullock economy for a good while yet, I think.

Mr. SMITH. Have you seen the breakdown on the figures for plows and agricultural machinery in this program?

Mr. HOLMES. I am not sure I have. I just got in and I am not too familiar with it.

Mr. SMITH. You have not conferred with the men in the Department?

Mr. HOLMES. I have seen some of those figures, but I am not sure I know just what you mean.

Mr. LOFTUS. May I speak to that?

Mr. SMITH. Yes.

Mr. LOFTUS. Plows as such are not in this agricultural program, but there is steel for use in this Allahabad Institute that we visualize would be part of Mr. Holmes' operation. The idea of importing steel for the plows was developed with Mr. Holmes in India back in January of this year.

Mr. SMITH. How much steel have you allocated?

Mr. LOFTUS. 10,000 tons.

Mr. SMITH. How many plows will that turn out?

Mr. VORYS. Sixteen pounds to a plow, is it not?

Mr. LOFTUS. Yes. That would be 1,250,000 plows.

Mr. SMITH. At a cost of how much per plow?

Mr. HOLMES. Those plows would be made for about \$1.75 each.

I would like to make just a point there, if I might. This plow business is one of a series or a sort of chain of things that are required. With the plows themselves we could get from three to five times the efficiency of the manpower and bullock power, just by changing their little simple implements. That itself is not too much, because at some seasons of the year the people do not have much to do and it does not do much good to save time then, if they do not have anything else to do, but it does make it possible to fit their land earlier in order to get legume crops growing on that land which can be turned under in time to grow their principal crops. This is the way we are using the plow to build up those yields.

We feel there are just little simple things that the people use there, and are accustomed to, that we have to take into account. For example, something that makes perfectly good sense to us here may not be acceptable. It has to be adapted.

As an example, they plow by riding on their plow. They have done that for centuries. As a result, we had the plow there that they rode on, and the back tooth went in the soil so deeply that the bullocks could not pull it.

They said, "This plow is not suitable. It is too heavy."

We kept raising the back tooth up higher and higher until it worked. It is easier for us to adjust the plow than it is to change the man. So we raised the tooth so high that they cannot stick it in the ground so far, and they have finally taken it and liked it, and they are greatly used.

In that same connection, we have to take into account their way of thinking in order to make it acceptable there. We have a lot of damage to food, for example, from mil gais, or antelopes that they have out there. They are called blue cows. "mil" is blue and "gai" is cow. To those of us from the west we would never think of a solution like this, but one of our Indian workers did. We were talking about it, and somebody commented that it looked more like a horse than a cow. He said, "That is it—a little blue horse." So they changed the name to blue horse. They got the name changed in the legislation, and now you can shoot the blue horse. You would never be able to shoot the "blue cow."

Chairman RICHARDS. The gentleman's time has expired.

Mr. Battle.

Mr. BATTLE. No questions.

Chairman RICHARDS. Mr. Merrow.

Mr. MERROW. No questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. I would like to hear some more of this.

Mr. SMITH. I think it is the best we have had.

Mr. HERTER. I think the details are very important. It is as interesting a demonstration as anything we have had before us, as to what you can do there.

Chairman RICHARDS. Well, you gentlemen have 15 minutes down there. Would you like him to go ahead for 15 minutes?

Mr. HERTER. I would be delighted to have Mr. Holmes go right ahead.

Chairman RICHARDS. Would that be satisfactory to you, Mr. Zablocki, or did you want to ask some other questions?

Mr. ZABLOCK. I will wait with my questions.

Chairman RICHARDS. How about you, Mr. Lanham?

Mr. LANHAM. I would like to know one thing. If India was doing this work and paying Mr. Holmes and wanted to carry on, why should we pay for it and send Mr. Holmes back over there if India was willing and able to do it herself? I cannot see that.

Chairman RICHARDS. Maybe Mr. Holmes can answer that.

Mr. HOLMES. I would like to comment on that, if I might. I went out there—it is a long story, so I will not go into that, but at any rate they had the idea that they would like to find out something about this American extension service, and they wanted to see what could be done. Well, the idea is, as is all too frequently the case in the East, that we are going to make a big plan and do everything at once. Well, you cannot do it that way. So we got the idea across, let us take a little area here and there and find out what we can do, and test it and prove it. Then we can use that as a pilot project or as something to guide you in your future planning and development in trying to meet this terrific food problem.

Chairman RICHARDS. I do not want to interrupt, but is the point you are making that as long as you are employed by India you had to do it more or less the Indian way, but if you came from the United States with these ideas, they would receive it?

Mr. HOLMES. No, sir. They will receive it in any case, if it is sound, but the point I am making is that this Indian program we started was one of trying to search out a method of doing it. We searched out a method and it worked satisfactorily in one area. We are searching out similar methods in all these different areas because the crops and soil are different in each.

Mr. LANHAM. That does not answer the question I asked at all. India was paying for this program. Why should generous Uncle Sam just take it over and spend United States dollars when India can do it herself? They wanted you to stay.

Mr. MCGHEE. May I respond to that, Mr. Chairman?

Chairman RICHARDS. Yes, sir.

Mr. MCGHEE. Mr. Holmes has just come back from India and may not be fully aware of some of this background.

The real point, I believe, Mr. Lanham, is that this work which Mr. Holmes did was so successful that we would like to capitalize on the techniques that he has worked out and help the Indians apply it on a much larger scale than they could do themselves.

Mr. Holmes stated, for example, that the conditions of employment with the Indians were not attractive to him. The Indians could not get Mr. Holmes to stay. If this program which we propose is acceptable the ECA can. The ECA will send Mr. Holmes back, as they plan to do, and let him run this program. He can take the techniques he has learned in this pilot operation on a very small scale, and apply it widely in India, so it will have a real impact on the Indian economy. If Indian food production can be increased enough, they will not have to import so much. They will not have to ask us as they did this last year to help them out.

The sum of \$3,500,000 which is proposed for this program can, we feel, be used as a lever to amplify food production many times. This is the one most effective way in which we believe we can help India with a very modest expenditure.

Mr. LANHAM. But he says it is so slow and he can affect such a small part of India that production cannot be doubled in the foreseeable future. I understood we sent aid to India because they had a crop failure, and not because normally they did not produce enough to take care of their needs.

Mr. McGUIRE. That is correct, but normally they do need to import 2,000,000 tons which, of course, costs them approximately \$190,000,000 in foreign exchange. This is one of the reasons why they have not had the funds to devote to their own development.

Mr. HOLMES. I would like to add a little comment to that, if I might. I was coming to the point, but I was coming to it too slowly, I think. It was that in this early stage we were limited, and limited by our techniques, as well as the Indians were limited by their ability. First, of course, their seed was not correct to begin with and, secondly, their funds were limited, so we had to operate in a smaller way. For instance, we had a terrific time during this period just getting enough food to feed the men we were training. We have gone about as far as we can go without some—in other words, we cannot expand this sort of thing into these other states and gradually build it to the point where it would have a real effect over the whole economy without some backing somehow. We have gone about as far as we can go under our own steam.

Mr. VORYS. Do you know the Indian language?

Mr. HOLMES. I can understand a little of it, but I cannot speak it. There are so many different languages there, though, that if you speak one and you move 30 or 40 miles away, you have another language again. We found, however, you do not have to speak a language to a people. If your heart is right and they know it, you can understand each other.

Mr. VORYS. If you are showing them and not telling them you do not have to talk much.

Mr. HOLMES. You do not have to do so much talking.

Is there any other phase you would like me to talk about?

Chairman RICHARDS. Mr. Zablocki.

Mr. ZABLOCKI. It was very interesting having Mr. Holmes relate his experiences, particularly the relation of the instance a legislative technicality permitted the Indians to shoot cows by renaming them blue horses instead of blue cows.

During the hearings on the aid to India bill charges were made as to the enormous consumption of food grains by the sacred monkeys and cows. I wonder if Mr. Holmes would care to comment on the amount of grain consumption of animals due to the Indian practice?

Mr. HOLMES. There have been a number of estimates made as to the amount of damage by the monkeys and cows. The cows do not consume much grain. They do not get it. They do consume a great deal of the grass, and even the leaves from the trees, which cuts down on the organic matter, and they are a very serious problem.

The monkeys, however, do consume a great deal of grain, and they can ruin a field in a very short time. It has been estimated that they destroy—and they destroy more than they eat—about 10 cents per day per monkey. Nobody knows how many monkeys there are. The only thing we do know is there are far too many.

In many places the monkey population is about equal to the human population.

Chairman RICHARDS. Do they multiply as fast?

Mr. HOLMES. Yes, sir. Like, well—yes, they do, sir.

Mr. ZABLOCKI. To what extent do the monkeys contribute to the scarcity of grain?

Mr. HOLMES. We do not know, of course, but it is quite a considerable extent. Now, we are making some progress on that. It is a very delicate thing. It is something you just cannot walk in on and say, "Let us get rid of them." Monkey catchers have been used to catch the monkeys. They are paid by the villages. They take them over and turn them loose at another village.

Mr. ZABLOCKI. Mr. Chairman, I can certainly sympathize with the gentleman. As much as we hate starlings here, some Members of Congress do not want them to be exterminated in Washington. It is a problem when people have certain attachments to the destructive animals.

Mr. HOLMES. This thing has a religious significance.

Mrs. BOLTON. How is it religious?

Mr. HOLMES. If we go back to our ancient culture here, we have a number of things in the Christian group that many people say helped them. For instance, Moses struck the rock and the water poured forth, or the children of Israel were led through the Red Sea. They have the same things in their culture that some of them take literally and others say was a figurative expression of the thing at that time.

The thing they hold on to is that back in their early growth and development one of their great leaders, Rama, had a very beautiful wife by the name of Sita, who was captured and taken down to Ceylon. She was taken to the little island of Ceylon. Rama went to the forest to meditate, and while he was there he was approached by the king of the monkey tribe, who offered to help him. So he and the monkeys came all the way across India from the northern part, almost in the Punjab, which is where they started, and came down to the Palk Strait, which is a little strip of water which separates Ceylon from the mainland. Rama could not get across, so the monkeys formed a bridge across there, and he rode his horse over, and they helped him capture his bride. For that they have a reverence for the monkeys.

You can call it absurd, if you want to, but it is very deep.

On the cow business we have made some progress. They are sacred for another reason that you have to go back some time for.

In their early history, according to some of my Hindu scholar friends, these people were nomadic people. They were a pastoral group and were eating up all of their animals without any thought for the food. So their civil law was so weak that the only way they could get any real enforcement was to put it into their religion. So they said, "Why do you eat the meat of man that furnishes milk and is a beast of burden?" That was the cow. So they said, "You must not eat the cow."

Now, putting that into their religion was really a measure of economics, but it was put into their religion because they had no other way to enforce it. The thing hung on and on, and now it would be so much better if somebody would eat some of them, but we do not do it.

We have made some progress in this cow and monkey problem in that we are getting now to the place where we can protect the cows

that are worth protecting from some of these diseases, and let nature herself help thin them out.

In regard to the monkey problem, there have been some little items of progress made. For example, in one state they will not issue a gun license, or would not, until the holder of the expiring gun license would bring in five monkey tails. Well, that stirred up quite a furor, but it does indicate that they are making a change.

The monkey catchers would go out and catch the monkeys and turn them loose. Other methods are being resorted to now. Some of the Brahman-- the highest caste of the Hindus, who have to take the lead-- are watching the monkey catchers now and make them go down to the river and hold the monkeys under the water long enough to make them harmless.

Chairman RICHARDS. They could cut off the monkey tails and let them go, could they not?

Mr. HOLMES. Yes.

Chairman RICHARDS. Has this program the United States put on there, increased our standing with the Indian people, and has it made them more resistant to communism?

Mr. HOLMES. It has helped us a great deal. When I first went into India it was 7 months before I was invited to the first staff meeting of the agricultural workers. There were many people who resented our being there. Gradually, though, I think the thing has changed to this point, that not only are we welcome, but we are taken into the family, more or less.

The first battle that I think we have to win out there is the battle of hope. These people have to see some hope on the horizon of something better for themselves and their children. In these early starts I think the hope is the most concrete thing that we have been able to achieve. If we can follow up on that hope and help them to achieve these things in such a way that they can keep their self-respect and we keep their friendship, then the job can be done.

Chairman RICHARDS. Are there any other questions?

(No response.)

Chairman RICHARDS. Mr. Holmes, we thank you very much.

Where were you educated? Down South somewhere.

Mr. HOLMES. Tennessee and Cornell. I took my undergraduate work at Tennessee.

Chairman RICHARDS. You are from Tennessee and educated at Cornell?

Mr. HOLMES. I took my graduate work at Cornell.

Mr. SMITH. That is near North Carolina.

Mr. HOLMES. I was for 2 years on the faculty at North Carolina.

Mr. SMITH. At North Carolina?

Mr. HOLMES. Yes.

Mr. SMITH. The chairman will be very glad to hear that.

Chairman RICHARDS. I am from South Carolina, but it is just across the line.

Mr. VORYS. On this language difficulty, are there enough English speaking natives scattered around so that you can get hold of somebody to start the thing off?

Mr. HOLMES. Language is no barrier. All of the educated groups speak English, and many of them speak English much better than I do.

Mr. VORYS. With an English accent.

Mr. HOLMES. Yes. With a very definite English accent. But language is not much of a problem at all. I do not use an interpreter because it puts you too much at the mercy of one person. We do not have any trouble with language.

Dr. Bennett, I understand, is going to appear before this committee, and on a number of these points that I could not answer because of my limited field I would like for you to refer those to Dr. Bennett, who I am sure can help you.

Mrs. BOLTON. Mr. Chairman, I have not been allowed to open my mouth.

Chairman RICHARDS. Oh, I am sorry. You walked out on us. Mrs. Bolton.

Mrs. BOLTON. It seems to me, Mr. Holmes, you have given us something that Mr. Herter was expressing in his way, which is exceedingly important for us to have. It is the whole human element—the human side of everything this country wants to do in the world. You people in Agriculture are particularly fortunate because you were able to work with the people at their level, in the earth. We had the same sense of what is possible when Mr. Haggerty spoke to us, who had been all over Yugoslavia working with the people.

For myself I do want to thank you most deeply for reminding us, though you were not doing it intentionally, probably, that this whole program is a program of humanity and one of deeper understanding of one country for another.

Mr. HOLMES. Thank you. It is a pleasure to be here.

Chairman RICHARDS. Thank you, Mr. Holmes.

Mr. ZAHLOCKI. Off the record.

(Discussion off the record.)

Mr. VORYS. On this cow business, they do milk the cows, do they not?

Mr. HOLMES. Yes.

Mr. VORYS. So there is some economic value to the sacred cows?

Mr. HOLMES. Yes, and there is a great need to improve the cows.

For example, you will be interested in an experiment going on now by one of our good Hindu friends who, if this experiment succeeds, I think will begin to open up a new thing. This man has, I believe, 9 acres of land. He has 27 cows, and he does not get enough milk to feed his three children. So we have asked him now as a leader in his community to undertake this experiment, which he has done.

He is growing Egyptian clover that he cuts to feed one cow. Since he is not feeding the others anyway, we are going to let them roam at large. So he is tying up that one cow and is keeping it in the field. He is trying to determine whether or not he can get any more milk from the one cow that he cares for than he can from this whole herd that he does not take care of. We know he can.

When he is convinced and he convinces his neighbors we will have another little nucleus breaking into this cow business. Those are the sort of things we are working with.

It is fascinating. They are lovely people when you get to know them. Strange, yes, but so are we; and we must recognize it.

Mr. HERTER. There is a little further clarification needed of the question Mr. Lanham wanted answered. I think it has been left a little fuzzy and hazy. That is, as to what the Indian Government can do for itself, and what contribution we are making on top of that.

I think it ought to be clarified a little further, because I think part of that question is still unanswered.

Chairman RICHARDS. It is the question, I think, that you have touched on there of a lot of things they could do for themselves, but it is getting them to do it.

Mr. LANHAM. They wanted to employ Mr. Holmes again. That is the thing that bothers me.

Mr. HOLMES. If I may make this point, my own salary in connection with this thing is a relatively small matter because it takes a large number of their own people. We will never have enough technicians to go out and do the job for them. We can feed them and work with them, but, for example, the ratio has been about 300 to one.

Mr. LANHAM. They were paying for the whole program, were they not?

Mr. HOLMES. Yes.

Mr. LANHAM. That is the point I am trying to bring out.

Chairman RICHARDS. You want to know why they do not employ him to train them, that is, why India itself does not employ him?

Mr. LANHAM. Mr. Holmes has said he did not want to accept employment, but my point is did they employ someone else to do this work; or, if they could employ you, then why can they not, with their own resources, continue this work instead of calling on you and, by the way, have they asked us to do this?

Mr. MCGHEE. I think the question involved here is the scale of the program they want to undertake. This last year, for example, the Indians had a budgetary deficit indicated, so in their new budget in the fiscal year which is already under way they had to cut back their development program.

Mr. LANHAM. How much is that deficit?

Mr. MCGHEE. \$100,000,000.

Mr. LANHAM. Ours is \$10,000,000,000.

Mr. MCGHEE. That is correct, but they have, of course, a limited ability to finance a deficit like that. In any event, they felt it necessary to cut back their development program, and as a consequence to cut back, possibly, but certainly to preclude expansion of the type of thing Mr. Holmes is describing.

In the face of that, there is a steady deterioration economically in India. They are not even holding even. There is a steady deterioration in terms of the real standard of living of the people.

They devised this Colombo plan through which they asked us to assist them, and they estimate in addition to the rupees they could take from their own resources that they would over a 6-year period need this \$1,100,000,000, as a balanced development program. We are in a sense responding in part to that appeal.

Mr. LANHAM. Did they approach you about that, or did you approach them and say, "We want to spend some of our money and we will do it here"?

Mr. MCGHEE. No, sir. They approached us with the Colombo plan, Mr. Lanham.

Chairman RICHARDS. I want to ask you this question: When you were employed by the Indian Government, how many additional agricultural men of the United States were employed as instructors at that time?

Mr. HOLMES. None.

Chairman RICHARDS. You were the only one?

Mr. HOLMES. The only agricultural man.

Chairman RICHARDS. That ought to answer your question to some extent, Mr. Lanham.

Mr. McGHEE. There is proposed in this total program some 400 technicians to go out. It will be greatly amplified.

Mr. HERTER. Do you visualize a termination date on this program from the point of view of what you can effectively do in building up an agricultural extension service within India, so that eventually they can carry on for themselves?

Mr. HOLMES. Oh, very definitely. I think it has to be run that way. We have to help them help themselves train their people, so that when we withdraw they can go ahead. That is the only sound way.

Mr. HERTER. In your own mind have you a period of years that it will take to accomplish that?

Mr. HOLMES. Yes, sir. It will take—back in my own mind I have a figure that it will take several years. It will take 10 or 12 or 15 years to get it going reasonably well.

Mr. HERTER. From there on they can carry on by themselves?

Mr. HOLMES. I think they can, because they are smart people.

Mr. HERTER. Thank you.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. I was curious as to what your recruitment problem will be. Mr. McGhee said we are going to have about 400 agricultural experts. Are you going to be able to get 400 top-notch men who will be able to work with these backward areas?

Mr. HOLMES. I have not done very much recruiting. I am not sure that I am too competent on that. We have found so far some excellent men. We have some outstanding men. Whether or not we can continue to have that good luck I do not know.

Mr. McGHEE. Mr. Ribicoff, this becomes a world-wide problem as we testified to. There are some 800 that are projected for the Middle East. All of these 400 are not agricultural technicians, but the large percentage are. Perhaps representatives of the ECA can respond to the problem.

Mr. RIBICOFF. It would seem to me the type of man you would get would be the greatest determining factor of the success or failure of the program.

Mr. McGHEE. Yes, sir. Of course, we will not expect to get men of the caliber of Mr. Holmes. However, we have recruited very good men, many of them from our agricultural colleges, who have gone out to assist the underdeveloped countries.

This number of agriculturalists is not large in comparison with the graduates from our colleges each year and the people employed by the Department of Agriculture in extension work.

Mr. RIBICOFF. In going out to the colleges and recruiting, is there much interest toward this program?

Mr. McGHEE. Yes, sir. For instance, this program in Iran which I described to the committee in my last appearance, is backstopped by Utah State College. They were under contract to ECA and have undertaken to recruit, I think, twenty-odd agricultural specialists. That college is going to act as the backstop for the program in Iran. The head of the program was formerly the president of the college.

Chairman RICHARDS. Thank you very much. Thank you, Mr. Holmes.

The committee stands adjourned until 2:30 this afternoon.

(Whereupon, at 12:20 p. m., the committee adjourned until 2:30 p. m. the same day)

AFTERNOON SESSION

(The committee reconvened at 2:45 p. m., Hon. James P. Richards (chairman) presiding.)

Chairman RICHARDS. The committee will come to order. We are in executive session. We have one witness, Mr. William O. Hall, Director, Office of International Administration and Conferences, of the State Department, who is scheduled to testify. I do not think his testimony will take very long. Then we will go into open session on some other witnesses we have scheduled. Mr. Hall.

STATEMENT OF WILLIAM O. HALL, DIRECTOR, OFFICE OF INTERNATIONAL ADMINISTRATION AND CONFERENCES, DEPARTMENT OF STATE

Mr. HALL. Mr. Chairman, I will be very brief. I want to speak to section 303 of the draft bill which authorizes a contribution by the United States Government to the United Nations Korean Reconstruction Agency.

The amount of new appropriation authorization we are requesting is \$112,500,000. In addition to that amount, we are requesting that \$50,000,000 be continued from the unobligated balances of the ECA Korean funds, and the agreed value of goods and services made available to the agency later on by any department or agency of the Government will be part of the \$162,500,000; in other words, goods turned over by the Army at the conclusion of hostilities which might be contributed to the agency will be counted as a part of the United States contribution.

I believe a question was raised as to whether there would be any objection by the Department in writing in a proviso establishing an absolute limit in value of \$162,500,000 to this contribution. We would have no objection to that whatsoever. We would be glad to prepare the necessary language to do that. That is our intention.

The United Nations Korean Reconstruction Agency was established by resolution of the United Nations General Assembly on the 1st of December 1950 as a result of action by the Economic and Social Council and the Assembly on the initiative of the Canadian Government, the United Kingdom Government, and the United States Government.

I will submit a copy of that resolution for the record, if you would like to have it.

Chairman RICHARDS. Is there objection?

Mr. HERTER. I wonder if an interruption would be permitted at this point?

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Before you get away from the Korean reconstruction operation, I understand Mr. Kingsley is the individual who has been selected by the United Nations to take charge of that operation.

Mr. HALL. That is correct.

Mr. HERTER. Where is he going to operate?

Mr. HALL. He is in Geneva at the present time. He will spend most of his time in Korea or New York City. He is concluding the work on the International Refugee Organization, and is running that program down at the present time.

Mr. HERTER. Has he been handling the International Refugee Organization?

Mr. HALL. Yes, sir.

Mr. HERTER. I understand he has been recruiting for this Korean thing already, and doing it in Europe from the old Refugee Organization set-up. I wonder how large a staff that will be. Will it be thousands and thousands of people?

Mr. HALL. No, sir. The number of people would be perhaps not more than 200 for the first program. It is difficult to estimate how many will be eventually hired. We would not anticipate a large staff of administrative people in the organization. The people so far recruited have come from four sources. One has been the recruitment of people who are in the International Refugee Organization, men who have key jobs there, and have been well qualified, in our opinion, and have been picked up by Mr. Kingsley for this new organization.

Also, some of the people who have worked in ECA have been hired for this. There were, in addition, a few people in the United Nations who handled the Secretary-General's emergency appeal for Korean relief. Those have been taken over by Mr. Kingsley for his staff.

He has made a small recruitment from the outside. He has taken on a Thailand banker as his principal economic adviser. He has taken on one retired Australian general, and I believe one or two United States nationals have been employed.

Mr. HERTER. I do not want to get delayed too long. I have been told by those who know something about the Japanese economy and the Korean picture that if this Korean rehabilitation job was done, spending most of the money required for the job in Japan, it would save us a great many tens of millions of dollars in relief operations that we have to conduct in Japan. But the Japanese economy at the present time is being bolstered up very largely by what the military spends in Japan and for the Korean operation,

If you get a cease-fire and the rate of spending in dollars falls off militarily, the Korean rehabilitation job, most of it, can be done from the Japanese economy and can save most everybody a great deal all the way around.

The Koreans will not want anything from Japan.

Mr. HERTER. Would there be any objection if legislation were passed expressing the hope that the money we put in would be spent largely in Japan?

Mr. HALL. As Mr. Rusk testified, we would expect that purchase program to support in part the Japanese economy wherever feasible.

Mr. HERTER. I missed that.

Mr. HALL. Mr. Kingsley is very aware of this. General Hissong has been stationed in Japan with that specific job in mind, with the idea of doing that in Japan. There is to be determined the availability of items which would be required which might be difficult to procure in the United States or Western Europe. That is very much in mind.

Our member of the advisory committee will also be aware of that and will be pressing in that direction, that the maximum amount of dollar expenditure be made in Japan.

Mr. HERTER. I did not realize this had been gone over.

Chairman RICHARDS. The statement that Mr. Vorys is looking at, do you think that should be placed in the record?

Mr. VORYS. It seems to me it would be most appropriate.

Chairman RICHARDS. Without objection, the statement you have just mentioned will be included in the record.

(The material referred to is as follows:)

RELIEF AND REHABILITATION OF KOREA

RESOLUTIONS ADOPTED BY THE GENERAL ASSEMBLY AT ITS 314TH PLENARY MEETING ON 1 DECEMBER 1950

(adopted on the report of the Joint Second and Third Committee (A/1567, Part II))

A

The General Assembly,

Having regard to its resolution of 7 October 1950 on the problem of the independence of Korea,

Having received and considered a report of the Economic and Social Council submitted in accordance with that resolution,

Mindful that the aggression by North-Korean forces and their warfare against the United Nations seeking to restore peace in the area has resulted in great devastation and destruction which the Korean people cannot themselves repair,

Recognizing that as a result of such aggression the people of Korea are desperately in need of relief supplies and materials and help in reconstructing their economy,

Deeply moved by the sufferings of the Korean people and determined to assist in their alleviation,

Convinced that the creation of a United Nations programme of relief and rehabilitation for Korea is necessary both to the maintenance of lasting peace in the area and to the establishment of the economic foundations for the building of a unified and independent nation,

Considering that, under the said resolution of 7 October 1950, the United Nations Commission for the Unification and Rehabilitation of Korea is the principal representative of the United Nations in Korea and hence must share in the responsibility for the work undertaken by the United Nations in furtherance of the objects and purposes mentioned in the said resolution,

Considering that it is nevertheless desirable to set up a special authority with broad powers to plan and supervise rehabilitation and relief and to assume such functions and responsibilities related to planning and supervision, to technical and administrative matters, and to questions affecting organization and implementation as are to be exercised under the plans for relief and rehabilitation approved by the General Assembly, such authority to carry out its responsibilities in close cooperation with the Commission,

A. ESTABLISHMENT OF THE UNITED NATIONS KOREAN RECONSTRUCTION AGENCY FOR THE RELIEF AND REHABILITATION OF KOREA

1. *Establishes* the United Nations Korean Reconstruction Agency (UNKRA) under the direction of a United Nations Agent General, who shall be assisted by one or more deputies. The Agent General shall be responsible to the General Assembly for the conduct (in accordance with the policies established by the General Assembly and having regard to such general policy recommendations as the United Nations Commission for the Unification and Rehabilitation of Korea may make) of the programme of relief and rehabilitation in Korea, as that programme may be determined from time to time by the General Assembly;

2. *Authorizes* the United Nations Commission for the Unification and Rehabilitation of Korea:

(a) To recommend to the Agent General such policies concerning the United Nations Korean Reconstruction Agency's programme and activities as the Commission may consider necessary for the effective discharge of the Commission's

responsibilities in relation to the establishment of a unified, independent and democratic government in Korea;

(b) To determine, after consultation with the Agent General, the geographical areas within which the Agency shall operate at any time;

(c) To designate authorities in Korea with which the Agent General may establish relationships; and to advise the Agent General on the nature of such relationships;

(d) To take such steps as may be needed to support the Agent General in fulfilling his task in accordance with the policies established by the General Assembly for relief and rehabilitation;

(e) To consider the reports of the Agent General to the General Assembly and to transmit any comments thereon to the Economic and Social Council and the General Assembly;

(f) To call for information on those aspects of the work of the Agent General which the Commission may consider necessary for the proper performance of its work;

3. *Authorizes* the Commission to consult from time to time with the Agent General in regard to the provisional programme adopted by the General Assembly on the recommendation of the Economic and Social Council and especially with regard to the adequacy of that programme to meet the needs of Korea as defined in the statement of general policy, and to make recommendations thereon to the Economic and Social Council;

4. *Directs* the Agent General:

(a) To co-ordinate his programme with measures taken by the United Nations Commission for the Unification and Rehabilitation of Korea to carry out the recommendations of the General Assembly relating to the establishment of a unified, independent and democratic government in Korea, and to support the Commission in fulfilling this task;

(b) To commence the operation of the programme in Korea at such time as may be agreed upon by the United Nations Unified Command, the United Nations Commission for the Unification and Rehabilitation of Korea and the Agent General;

(c) To consult with and generally be guided by the advice of the United Nations Commission for the Unification and Rehabilitation of Korea on the matters set forth under paragraph 2 (a) and be governed by its advice on the matters covered in paragraphs 2 (b) and 2 (c);

5. *Further directs* the Agent General, in the carrying out of his functions:

(a) To ascertain, after consultation with the designated authorities in Korea, the requirements for supplies and services for relief and rehabilitation made necessary by the consequences of armed conflict in Korea;

(b) To provide for the procurement and shipment of supplies and services and for their effective distribution and utilization within Korea;

(c) To consult with and assist the appropriate authorities in Korea with respect to measures necessary for the rehabilitation of the Korean economy and the effective distribution and utilization within Korea of supplies and services furnished;

(d) To submit reports to the General Assembly through the Secretary-General, transmitting copies simultaneously to the United Nations Commission for the Unification and Rehabilitation of Korea, and to the Economic and Social Council;

(e) To be guided in matters of administration, to the extent consistent with the special requirements of the programme, by the rules and regulations established for the operation of the Secretariat of the United Nations; Specifically he shall:

(1) Select and appoint his staff in accordance with general arrangements made in agreement with the Secretary-General, including such of the staff rules and regulations of the United Nations as the Agent General and the Secretary-General shall agree are applicable;

(2) Utilize, wherever appropriate, and within budgetary limitations, the existing facilities of the United Nations;

(3) Establish, in consultation with the Secretary-General and the Advisory Committee on Administrative and Budgetary Questions, and in agreement with the Advisory Committee established under paragraph 6 below, financial regulations for the United Nations Korean Reconstruction Agency;

(4) Arrange, in consultation with the Advisory Committee on Administrative and Budgetary Questions, for the rendering and audit of the accounts of the Agency under procedures similar to those applicable to the rendering and audit of the accounts of the United Nations;

6. *Establishes* an Advisory Committee consisting of representatives of . . . (five Member States) to advise the Agent General with regard to major financial, procurement distribution and other economic problems pertaining to his planning and operation. The Committee shall meet on the call of the Agent General but not less than four times a year. The meetings of the Committee shall be held at the Headquarters of the United Nations except in special circumstances, when the Committee, after consultation with the Agent General, may meet elsewhere if it deems that this would be essential to the proper performance of its work. The Committee shall determine its own methods of work and rules of procedure;

7. *Requests* the Secretary-General, after consulting the United Nations Commission for the Unification and Rehabilitation of Korea and the Advisory Committee to appoint the United Nations Agent General for Korean Reconstruction, and authorizes the Agent General to appoint one or more Deputy Agents General in consultation with the Secretary-General;

8. *Authorizes* the Secretary-General to establish a special account to which should be credited all contributions in cash, kind or services, the resources credited to the account to be used exclusively for the programme of relief and rehabilitation and administrative expenses connected therewith; and directs the Secretary-General to make cash withdrawals from the account upon request of the Agent General. The Agent General is authorized to use contributions in kind or services at his discretion;

9. *Recommends* that the Agent General in carrying out his functions:

(a) Make use at his discretion of facilities, services and personnel that may be available to him through existing national and international agencies and organizations both governmental and non-governmental;

(b) Consult with the Secretary-General and the heads of the specialized agencies before appointing his principal subordinate personnel in their respective fields of competence;

(c) Make use of the advice and technical assistance of the United Nations and the specialized agencies and, where appropriate, request them to undertake specific projects and special tasks either at their own expense or with funds made available by the Agent General;

(d) Maintain close contact with the Secretary-General for the purpose of ensuring fullest co-ordination of efforts of the organs of the United Nations and the specialized agencies in support of the programme;

10. *Authorizes* the Agent General to enter into agreements with such authorities in Korea as the United Nations Commission for the Unification and Rehabilitation of Korea may designate, containing terms and conditions governing measures affecting the distribution and utilization in Korea of the supplies and services furnished, in accordance with the statement of general policy on Korean relief and rehabilitation contained in section B of the present resolution;

11. *Requests* the Secretary-General to make available to the maximum extent possible, and subject to appropriate financial arrangements, such facilities, advice and services as the Agent General may request;

12. *Requests* the specialized agencies and non-governmental organizations to make available to the maximum extent possible, and subject to appropriate financial arrangements, such facilities, advice and services as the Agent General may request;

13. *Requests* the Economic and Social Council to review the reports of the Agent General and any comments which the United Nations Commission for the Unification and Rehabilitation of Korea may submit thereon, and such other data as may be available on the progress of relief and rehabilitation in Korea and to make appropriate reports and recommendations thereon to the General Assembly;

14. *Calls upon* all Governments, specialized agencies and non-governmental organizations, pending the beginning of operations by the United Nations Korean Reconstruction Agency, to continue to furnish through the Secretary-General such assistance for the Korean people as may be requested by the Unified Command;

15. *Invites* countries not Members of the United Nations to participate in financing the programme of relief and rehabilitation in Korea;

B. STATEMENT OF GENERAL POLICY ON RELIEF AND REHABILITATION IN KOREA

16. *Approves* the following statement of general policy:

1. The United Nations programme of relief and rehabilitation in Korea is necessary to the restoration of peace and the establishment of a unified, independent and democratic government in Korea.

2. To this end, it is the objective of the United Nations to provide, subject to the limit of the resources placed at its disposal for this purpose, relief and rehabilitation supplies, transport and services, to assist the Korean people to relieve the sufferings and to repair the devastation caused by aggression, and to lay the necessary economic foundations for the political unification and independence of the country.

3. The United Nations programme of relief and rehabilitation for Korea shall be carried out in practice in such a way as to contribute to the rapid restoration of the country's economy in conformity with the national interests of the Korean people, having in view the strengthening of the economic and political independence of Korea and having in view that, in accordance with the general principles of the United Nations, such assistance must not serve as a means for foreign economic and political interference in the internal affairs of Korea and must not be accompanied by any conditions of a political nature.

4. The United Nations programme is to be a supplement to the general recovery effort that will be undertaken by the Korean people on their own initiative and responsibility, through the most effective utilization of their own resources as well as of the aid which is rendered under the programme.

5. Whilst the programme should be consistent with the pattern of long-term economic development in Korea, it is itself necessarily limited to relief and rehabilitation, and contributions and supplies furnished under this programme shall be used exclusively for that purpose.

6. First priority shall be given to the provision of the basic necessities of food, clothing and shelter for the population of Korea and measures to prevent epidemics. Second highest priority shall be given to projects which will yield early results in the indigenous production of basic necessities; this will include the reconstruction of transport and power facilities. As the programme develops, emphasis should be shifted to the provision of other materials, supplies and equipment for the reconstruction or replacement of war-damaged facilities necessary to the economic life of the country.

7. The necessary measures shall be taken to ensure that distribution shall be so conducted that all classes of the population shall receive their equitable shares of essential commodities without discrimination as to race, creed or political belief.

8. Subject to adequate control, the distribution of supplies shall be carried out, as appropriate, through public and co-operative organizations, through non-profit-making voluntary organizations such as the Red Cross, and through normal channels of private trade. At the same time, measures shall be taken to ensure that the cost of distribution and the profit from the sale of supplies are kept to the minimum. Measures shall be taken to ensure that the special needs of refugees and other distressed groups of the population are met through appropriate public welfare programmes, and accordingly the sale of relief supplies will take place only in justifiable cases and under conditions agreed upon with the United Nations Commission for the Unification and Rehabilitation of Korea.

9. The local currency proceeds derived from the sale of relief and rehabilitation supplies or, at the discretion of the Agent General, an amount commensurate with the value of goods and services supplied, shall be paid into an account under the control of the Agent General. The Agent General, after consultation with the United Nations Commission for the Unification and Rehabilitation of Korea, and in agreement with the Advisory Committee referred to in paragraph 6 of section A of the present resolution, shall use these funds for appropriate additional relief and rehabilitation activities within Korea, for the local currency expenses of the relief and rehabilitation operations of the United Nations, or for measures to combat inflation. The proceeds shall not be used for any other purpose.

10. The necessary economic and financial measures shall be taken by the authorities in Korea to ensure that the resources provided under the United Nations programme, as well as Korean resources, are effectively employed to aid in laying the economic foundations of the country. Among these, special attention should be given to measures to combat inflation, to sound fiscal and monetary policies, to the requisite pricing, rationing and allocation controls (including the pricing of goods imported under the programme), to the prudent use of Korean foreign exchange resources together with promotion of exports, and to the efficient management of government enterprise.

11. Import taxes shall not be imposed on relief and rehabilitation supplies received under the United Nations programme.

12. The authorities in Korea should maintain such records and make such reports on the receipt, distribution and use of relief and rehabilitation supplies as may be determined by the Agent General after consultation with them.

13. All authorities in Korea shall freely permit the personnel of the United Nations to supervise the distribution of relief and rehabilitation supplies, including the examination of all storage and distribution facilities as well as records.

14. The personnel of the United Nations shall be accorded within Korea the privileges, immunities and facilities necessary for the fulfillment of their function.

15. All authorities in Korea and the Secretary-General shall use their best efforts to inform the people of Korea of the sources and purposes of the contributions of funds, supplies and services.

16. In determining Korea's needs for relief and rehabilitation, in drawing up programmes and plans, and in implementing such programmes and plans, the Agency created to administer the relief and rehabilitation programme should consult with and utilize, to the greatest extent feasible, the services of Korean authorities.

B

The General Assembly

1. *Requests* the President to appoint a Negotiating Committee composed of seven or more members for the purpose of consulting, as soon as possible during the current session of the General Assembly, with Member and non-member States as to the amounts which Governments may be willing to contribute towards the financing of the programme for the relief and rehabilitation of Korea;

2. *Authorizes* the Negotiating Committee to adopt procedures best suited to the accomplishment of its task, bearing in mind:

(a) The need for securing the maximum contribution in cash;

(b) The desirability of ensuring that any contribution in kind is of a nature which meets the requirements of the contemplated programmes; and

(c) The degree of assistance which can be rendered by specialized agencies, non-member States and other contributors;

3. *Requests* that, as soon as the Negotiating Committee has ascertained the extent to which Member States are willing to make contributions, all delegations be notified accordingly by the Secretary-General in order that they may consult with their governments;

4. *Decides* that, as soon as the Negotiating Committee has completed its work, the Secretary-General shall, at the Committee's request, arrange, during the current session of the General Assembly, an appropriate meeting of Member and non-member States at which Members may commit themselves to their national contributions and the contributions of non-members may be made known.

*314th plenary meeting,
1 December 1950.*

* * *

In accordance with the terms of the above resolution, the President of the General Assembly, at the 318th plenary meeting on 4 December 1950, announced that he had appointed a Negotiating Committee, composed of the following States Members: CANADA, EGYPT, FRANCE, INDIA, the UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, the UNITED STATES OF AMERICA and URUGUAY.

Mr. HALL. I might take just a moment to describe our objectives in supporting the establishment of this new agency. First, it is to support through the United Nations a self-governing and sovereign Korea, free of foreign domination, and secondly, through the United Nations to assist the Korean people to recover from the ravages of war and maintain a stable government.

The situation in Korea at the present time makes it essential that some such program be carried on if we are to have an independent and democratic government in Korea following hostilities.

The most pressing civil problem at the moment of the United Nations' command in Korea is providing for these Koreans. Help for these people will be needed following the termination of hostilities. The United Nations' command has made commitments for \$105,000,000 of relief supplies. Fifty-five health, sanitary, welfare, and supply officers have been sent to Korea by the United Nations to assist in alleviating distressed people in that country.

Supplies are being furnished at the rate of \$8,000,000 a year from United States Army appropriations.

Mr. VORYS. Wait a minute. Isn't it \$8,000,000 a month?

Mr. HALL. That is \$8,000,000 a month.

Mr. VORYS. You said per year.

Mr. HALL. I am sorry. Not only has the production and distribution of foodstuffs been disrupted by the events of war, but it has been impossible to supply the fertilizer during the past two months to maintain the self-sufficiency in foodstuffs which had almost been possible with the ECA help during 1949.

Major attention must be given to the importation and distribution of fertilizer for UNKRA if continuing food shortages are to be avoided. Most of the industries of South Korea have been brought to a standstill because of the invasion and reinvasion during the war. Transportation and communication facilities have suffered extensive war damage, and the restoration of power facilities is necessary to the restoration of industrial production.

There is serious inflation, arising basically from Korea's lack of resources to finance the war, and in particular from overdrafts, currency advances to the United Nations' forces in Korea, the expansion of bank credit, and the collapse of normal imports.

Continued importation of consumer goods and expert assistance in executing a stabilization program are necessary. There exists a great need for technical advice in the Government in all fields. Koreans were deprived of managerial experience during the Japanese period of occupation, and by the losses of personnel during the war and the disruptions that have come about from the war in every aspect of Korean life.

We have talked briefly about UNKRA. I might say in addition that Mr. Lubin has been our acting representative on the Advisory Committee. He is our representative on the Economic and Social Council, and Mr. Graham Hall would be his deputy in the Advisory Committee job.

I would like to run over the program which has been drafted, which will have to be surveyed after the hostilities.

Mr. BURLESON. How can we approach the matter of aid to Korea under present conditions?

Mr. HALL. It is assumed that this program would not begin to operate until there was a cessation of hostilities. The present program going on now is supplying essential civilian needs and is carried on by the Army. This would be in effect an authorization for the United Nations to go ahead with the planning of this United Nations program, and with certain aspects of civil advice to the Korean government.

Mr. BURLESON. Dealing chiefly with relief?

Mr. HALL. The present program deals chiefly with relief. This project would be primarily for the essential rehabilitation of Korea.

Mr. BURLESON. You would not think it advisable to wait until after all these things were determined and then have a single piece of legislation dealing with it?

Mr. HALL. I think such an action would have a damaging effect on the morale of the people. I think if the United States decided not to go ahead with the program the effect would be unfortunate.

Mr. BURLESON. Is this the contribution of the United States to the UN, or is it a separate aid program directly to them?

Mr. HALL. It would be a separate agency of the UN, a separate agency set up specifically for Korean relief and rehabilitation. The United States would contribute goods, services, and money in the amount of \$162,500,000.

Mr. BURLESON. Then there is no so-called ECA, as we call it now, operating in Korea?

Mr. HALL. There would be no ECA program in Korea. It was terminated shortly after the hostilities. Those functions that were necessary during the hostilities were taken over by the Army. If I may continue, the effect on contributions from other governments would be very unfortunate. I think we would have great difficulty on that score.

I might say the Canadians, the Saudi Arabians, and Indonesians have already made their contributions in cash.

I think they would be quite disturbed after having made their contributions if the United States decided not to participate.

Mr. VORYS. You were going to tell us what the percentage of contributions were going to be?

Mr. HALL. Yes, sir. Our contribution was calculated on the basis of 65 percent of the total. We recognize that we might not achieve that goal; we might have to pay slightly more than that. The other contributions of the Canadians and the UK are roughly the UN relationship to our contribution.

In this program, however, we have to recognize the Chinese will not be able to contribute normally in any sizable amount, that the Russians will not contribute, that the Eastern Europeans will not contribute. There is a question as to how great an extent the French will be able to contribute in the light of the drain on them in Indochina.

The Australians, Canadians, British, New Zealand, the Western Europeans and ourselves will have to bear the major load in this program.

The program being of the magnitude and of the character is it, I think the United States has to expect to carry the major load in this program.

Mrs. BOLTON. I thought we had cut down some to 33½ percent.

Mr. HALL. We have on the administrative budget of the United Nations Organization. On operational programs of this kind we must pay more. There are three classes of contributions. First, are the contributions to the regular administrative budgets, in which our goal has been to get down to 33½ percent. We have made substantial strides in that direction.

The second category is the technical assistance and childrens funds, where we pay 65 to 70 percent of the international fund, but there are substantial amounts paid in local currency by the recipient countries.

There is a third type of program, like this program and the Palestine program, where the aid has to come entirely from outside. In those cases we have to be prepared to pay a larger percentage of the contribution if the program is to be done internationally.

You may ask the question, why do it internationally? My answer is, we ought to follow through on the action that was taken against aggression in Korea by carrying this program on through the United Nations, and, secondly, to the extent that we get contributions from other countries we reduce the load on our people, even though those

contributions do not constitute what we would like to have the situation to be throughout the world.

Mr. VORYS. Our pattern is that we operate through the UN and put up 90 percent of the military forces and 80 percent of the relief to follow?

Mr. HALL. I think 65 to 70 percent on the relief.

Mr. VORYS. \$105,000,000 from us and 20 from the rest, so far.

Mr. HALL. 205 million has been pledged to UNKRA as such as of this time, not counting contributions made in the past to the unified command for direct Korean relief. I would like to point out the French have not said what they will contribute.

Mr. BURLESON. Is there point 4 assistance involved in this?

Mr. HALL. There is point 4, but it would be handled through this agency. There will be some technical assistance in the sense of economic advice and agricultural advice.

Mr. BURLESON. It will all come through the UN?

Mr. HALL. It will all be part of this \$162,500,000, our contribution to the \$250,000,000 program.

Mr. REECE. What type of rehabilitation is anticipated?

Mr. HALL. I did not get that, sir.

Mr. REECE. What type of rehabilitation do you envision will be carried on over there?

Mr. HALL. It would involve the minimum restoration of the power industry, things of that kind. \$250,000,000 will not go very far in that direction. There will have to be a continuing program. We hope the Koreans will be able to help themselves in a large portion of it. There are essential industries that will have to be reestablished for them, things that involve imports from the outside.

The textile machinery, any heavy equipment of any kind, would have to come from the outside. The program does envision that the Koreans themselves will do most of the work in housing, in the spinning of textiles, in the rehabilitation of their agriculture.

There will be fertilizer imports and cotton imports.

I can give you an idea of what will be in the program. Perhaps it will not be the final program. Food will be \$31.3 million; clothing, \$14 million; medical supplies, \$5.5 million; soap and miscellaneous goods, \$2.5 million; raw materials for domestic production would be agricultural prerequisites, primarily fertilizer, \$42.7 million, plus some seeds; coal, \$8 million; petroleum oil and lubricants, \$5.5 million; raw cotton, \$8.8 million; miscellaneous materials, \$20.5 million; then materials and equipment for reconstruction, lumber would be \$8 million; cement, \$2.5 million; iron and steel, \$15 million; railroad rolling stock, \$9 million; electric power facilities, \$6 million; communications, \$3 million; trucks and accessories, \$2.4 million; other equipment and parts, \$8.3 million; and technical services would be \$2 million; and then the administrative costs would follow.

Mr. REECE. Two point plus for soap, and 0.9 for railroad equipment and supplies. My offhand observation is that would be out of line.

Mr. HALL. That is soap and miscellaneous. I can get the other items.

Mr. BURLESON. I expect they are behind in the use of soap.

Mr. REECE. They can stay behind without being seriously impaired.

Mr. HALL. This includes household items such as thread, needles, cooking utensils; also alkalis and fats, to get their own soap production started.

It is not soap as a finished product but rather the components of the soap.

Mr. HERTER. You have a \$59,000,000 item for transportation. That would certainly not indicate that a great deal was coming from Japan.

Mr. HALL. The explanation on that is that—in order to make use of the contributions of the United Kingdom and the European countries, and the Australian and some of the others, farther away contributions—there would need to be substantial transportation involved in that by UNRRA estimates.

We raised the same question in the Advisory Committee very frankly. This is one of the questions that we raised in the first meeting of the Advisory Committee, the question that you raised, as to whether the freight charges were not excessive. They have promised to recalculate the program in the light of the needs as they see them. They are not interested in spending more for freight than they have to.

This is the first calculation that was made up. These figures, the background of them, were developed originally by the military authorities in Korea, in December. I think that there are areas in the figures that undoubtedly will have to be corrected.

I would agree, Mr. Herter, that one of these things is the question of transportation.

Mr. VORYS. When you speak of Korea, you mean what?

Mr. HALL. Whatever area of Korea is under the United Nations at the cessation of hostilities.

Mr. VORYS. As I remember it, they have coal and fertilizer plants up north.

Mr. HALL. They have. Those have pretty much been destroyed by bombing. There would have to be some rehabilitation. If we had the whole of Korea, the total program, in the years beyond the first year would be substantially less because they would do much more to help themselves.

Mr. VORYS. When you talk of cessation of hostilities, I suppose that the UN cannot decide—nobody can answer this, but are we going in to repeat what was done before, to build up something that can be knocked off again, or does there have to be cessation of hostilities plus such guaranties that hostilities are not going to start again that it would be worth while doing more than merely running relief bread lines and that sort of thing?

Mr. HALL. I think we would have to have some sort of guaranty, or at least a good chance that hostilities would not start again. There would be no point in taking in supplies just to have them endangered again by the enemy. When I say cessation of hostilities, I mean settlement that is satisfactory to the UN and which gives us assurance that there is at least reasonable chance that the Koreans will be able to build a peaceful and productive future life.

Mr. VORYS. You used the word "reconstruction." I noticed in the United Nations resolution that whatever is done shall be limited to relief and rehabilitation. During the UNRRA days we had a lot

of discussion about when relief and rehabilitation left off and reconstruction started in.

A lot of these items sound somewhat like being over the line into substantial reconstruction. I wondered if these projects that you have mentioned are presumed to be within the limits of the United Nations resolution of relief and rehabilitation.

Mr. HALL. Yes, sir; they are. The United Nations resolution spells that out. There was great concern about that on the part of a number of countries. Mexico, for example, was very much concerned that the program should not get very much beyond the relief, and essential elements of relief and rehabilitation.

If I used the term "reconstruction" it was an unfortunate misstatement. It should be encompassed within the broader framework of relief and rehabilitation. The Mexicans were concerned about that. They said if you get very far on the reconstruction program we have needs at home that are greater, as far as they are concerned, than those in South Korea.

So there is in the United Nations, on the part of the other members, very great pressure to keep this program to the minimum that is essential to keep good faith with the people of the Republic of Korea. I think we can be assured, handling it through the United Nations, with the other governments, many of whom are not in a very favorable economic position, they are going to insist that the program be kept to the minimum required to keep faith with the Korean people.

Mr. REECE. I am glad to see the breakdown in the detail that you have, although you might not be certain about some phases of it, which one can readily understand.

Mr. Chairman, that is what I have been wanting to see in connection with all these areas where we are extending relief. I do not know to what extent that breakdown has been supplied for the different countries. You remember I propounded that query upon another occasion, to what extent a breakdown has been supplied reference to these countries.

Chairman RICHARDS. We have a breakdown for the different areas. Each member of the committee has that, I think. We have some more people who can testify on that phase of it this week. If you do not get what you want—

Mr. REECE. We have, as I recall, pretty much of a dollar breakdown.

Chairman RICHARDS. That is right.

Mr. REECE. But not a commodity or application breakdown. When we asked for an appropriation on the floor for ourselves, we have to substantiate, justify the particular appropriation, whether it is for a small amount or large amount of money, whether it is for a bridge or some other improvement.

We have to do that in very great detail, and in this connection we are appropriating vast sums, the expenditure of which is left largely to the administrative officers. I recognize that I do not have the historical background of this subject that the other members of the committee have, but that was one of the things that I was impressed with during the proceedings here, the fact that there had not been a breakdown for which a person who did not make a personal study of the program could ascertain what was being done in any country.

Chairman RICHARDS. We have a good many more witnesses. If the gentleman is not satisfied when that is completed, I assure you that we will cooperate in trying to get the very thing that you are trying to get.

Mr. REECE. I beg the pardon of the committee for bringing it up out of context.

Chairman RICHARDS. I think that is a very important phase of the thing. I do not object to you bringing it up.

Mr. VORYS. Will the gentleman yield?

Mr. REECE. Yes.

Mr. VORYS. We on this committee always before have had the breakdown somewhat in advance, and our staff has had them, and at least in my memory we have never had hearings where the first we heard of the details was from the lips of some witness. We had a chance to do a little homework and get ready for it. This is the first time that I have seen it occur this way.

Chairman RICHARDS. Mr. Coolidge, will you say something on that?

Mr. COOLIDGE. Yes, sir. We did not get them up as soon as we have in the past, but my recollection is that about a week ago—it has been just about a week—the staff has had a breakdown of all these programs which were submitted to the staff.

Chairman RICHARDS. We members ought to have them.

Mr. COOLIDGE. We got up enough copies, one for each member.

Chairman RICHARDS. What about that, Mr. Clerk?

Mr. COOLIDGE. Whether they go into the details Mr. Reece wants I do not know.

Mr. REECE. My thinking arises out of that general question. My thinking goes along the line that after these vast sums have been expended, how much permanence is there going to be.

Chairman RICHARDS. I want to get the statement from the clerk as to what they have along this line, and also the staff. If they have that breakdown to the extent that you say, we want the members to have it. If they have not, we want to get it. I imagine the people would want to provide it for us.

They certainly had better if they want to substantiate their case.

Mr. REECE. It occurred to me as a result of Mr. Hall's breakdown there, which impressed me, that he attempted to give a detailed breakdown which has to be on a rather inadequate basis in view of the uncertainty of the situation.

Chairman RICHARDS. We will suspend for a minute to find out what they have.

(Discussion off the record.)

Chairman RICHARDS. Are there any other questions of the witness?

(No response.)

Chairman RICHARDS. If there are no further questions, we thank you very much, Mr. Hall.

Mr. HALL. Thank you, sir.

Chairman RICHARDS. We will hear Mr. Richard F. Harless, Atlantic Union Committee, appearing for the Honorable Will Clayton.

Mr. Harless is an old colleague. Mr. Clayton could not get here.

STATEMENT OF WILL H. CLAYTON, FORMER UNDER SECRETARY OF STATE, AS PRESENTED BY RICHARD F. HARLESS

Mr. HARLESS. Thank you, Mr. Chairman and gentlemen of the committee.

Mr. Clayton had hoped to be here, but he found it impossible. This is his own statement. He drew it up over the week end and then had to leave and asked me to present it to the committee.

Chairman RICHARDS. Will you proceed.

Mr. HARLESS. Mr. Chairman, gentlemen of the committee, this statement is made by Mr. Clayton, former Under Secretary of State, in behalf of the Mutual Assistance Aid Program now pending before your committee.

During the past third of a century, the people of the United States have shed much blood and spent upward of half a trillion dollars for the preservation of freedom in the world.

The weight of this stupendous effort has so far saved the world from complete totalitarian rule.

But the battle between the forces of enslavement and the forces fighting to hold those precious human freedoms won at such great cost over the centuries is still raging; the final result is by no means certain.

From the tragic experiences of the past 35 years, one great truth stands out clear as a beacon to guide us: There must be unity of purpose and of action by the free nations of the world if they would remain free.

Whatever may be said about the foreign policy of the United States during the past few years, it cannot be denied that it has been directed toward holding the free world together.

We could be wrong about everything else but if we are right on foreign policy, our country is so young and virile that it could overcome its mistakes in the domestic field and go forward; but if we are wrong on foreign policy, we could be right on everything else and still the result could be a disaster, not only to the people of the United States but to the whole world.

We must be right on foreign policy. The very security and prosperity of the United States are at stake. The United States has taken the lead in measures designed to hold the free world together and to bring peace to the whole world. We must continue that policy and strengthen it in every proper way.

The North Atlantic Treaty is by far the most important step yet taken in this field.

The very foundation of this enterprise rests on an understanding that the security and prosperity of its 12 members depend upon their unity in the international field.

The passage of the foreign aid bill now before the Congress is essential to the realization of this concept.

Just as the Marshall plan has saved Western Europe and the world from the aggressive and expansive policy of Communist Russia over the past 3 or 4 years, so the foreign aid contemplated in the bill now before Congress may very well be credited by history as having set in motion measures and forces leading to the establishment of world peace and prosperity. No informed person can doubt that the execution of the very specific plans for the protection of the free world

contemplated in the North Atlantic Treaty is immediately dependent upon this aid.

The United States cannot afford to reverse the direction in which it has been headed in world affairs. To do so would be an invitation to disaster.

General Eisenhower constantly refers to the necessity of unity in the free world. Beginning with his speech before Congress on his return from Europe in February 1951, he has hardly made a single public statement which does not emphasize the critical need of unity and more unity if the free nations of the world are to win this fight.

One cannot help feeling that behind General Eisenhower's carefully chosen words, heard and read around the world, is a deep conviction that the North Atlantic Treaty, powerful and historic document that it is, leaves much to be desired as a constitution of the free world in its fight to hold back the forces of slavery and darkness which are descending upon it.

The obvious weakness of the North Atlantic Treaty is that it proposes to unify the military forces of its 12 members but fails to provide for political unification to create a common foreign policy and to give direction to the military; or economic unification to furnish the strength to support the military and to bring about a rise in the standard of living so important to the morale and well-being of the people.

As an immediate measure in the defense of the free world against Communist aggression, the North Atlantic Treaty is a bold and essential step. But neither the North Atlantic treaty nor the United Nations, essential as both are in the long-range plan for the establishment of world peace, are sufficient to accomplish that purpose in the world of today.

To realize this, we must first thoroughly understand the nature of the revolution through which our modern world is now passing.

Many people believe that if it were only possible to rid the world of the evil of Communist aggression, there would no longer exist any serious impediment to the prompt establishment of world peace and prosperity. These people argue that Communist Russia is the only nation in the world at present or for the foreseeable future which is frankly bent upon world conquest, and indeed that is true.

But it would be a tragic mistake to fail to recognize that the aggression of Communist Russia, with its stated determination to conquer the world for communism, is merely an outward demonstration of the revolution through which the world is now passing—a revolution of the "haves nots," not so much against the "haves" as against their own tragic lot in life.

There can be no permanent peace until there is some amelioration of the conditions of the hundreds of millions of people who go to bed hungry and cold every night.

The job of the western world, then, is broadly twofold: It must make itself so strong that no aggressor dare strike, and it must do this in a way to avoid undue economic strain. Freedom can be lost through economic collapse as surely as through military defeat.

And it must reorganize its economy so that all the forces of development, production, and distribution, operating as one market, may have full play, to the end that people all over the world will have more to eat, more to wear, and better homes in which to live.

It is not believed possible to reach these two targets with the present loose organization of the western world which rests on a military base only—and a shaky one at that.

This base must be broadened and strengthened to cover adequately the political and economic aspects of unity.

Nothing short of a federal union of the Atlantic democracies will afford a foundation sufficiently strong and broad to support the necessary measures for the realization of permanent world peace.

If such a federal union had existed 18 or 40 years ago, World War I would never have occurred; if it had existed 12 years ago, World War II would never have started; if it existed today, world war III would not even be thought of, real disarmament would be under way, a development and production boom on a world-wide basis would be in progress; the world standard of living would be rising, tranquility would be restored and permanent world peace would lie within our grasp.

Chairman RICHARDS. Thank you, Mr. Harless. We appreciate very much our old colleague coming before us to give his and Mr. Clayton's viewpoint on this subject. We are sorry Mr. Clayton cannot be here. We have a very high opinion of his ability and statement.

Mr. HARLESS. He expresses real regret that he could not be here in person. I appreciate the opportunity of reading this statement to you.

Chairman RICHARDS. Mr. Hays?

Mr. HAYS. I wish to express appreciation of the statement not only because of our regard for Mr. Clayton but because of my personal pleasure in seeing my former colleague with whom I came to Congress in 1943. I am interested in the views that he advances. I think it is worthy of our consideration.

Mr. Harless has rendered a great public service in his own State, and as a member of the Congress for three terms. I am glad to have this statement about a very important movement. I assume that Mr. Clarence Streit will be here?

Mr. HARLESS. He will be here this evening.

Mr. HAYS. Whether one agrees with Mr. Streit and former Justice Roberts as to all details of the Atlantic Union idea or not, I believe it is the universal opinion of thoughtful people that they are rendering a great service.

I would like to ask Mr. Harless if he saw the statement of Senator Hendrickson, of New Jersey—

Mr. HARLESS. Which article was that, Congressman?

Mr. HAYS. It just reached my desk this morning. It is an eloquent defense by Senator Hendrickson of your organization's purposes. I hope you will see it.

Mr. HARLESS. I would like to see it. I appreciate those remarks, Congressman, and I appreciate the opportunity of coming here before you gentlemen. I hope sometime in the foreseeable future when you have all these heavyweight problems out of the way that we will be able to present complete arguments on the plan that we propose. The resolutions are now pending. I know you are very, very busy, but when you do have some time, we have gathered a great deal of information.

Mr. Streit, who will appear before you this evening, spent 3½ months in Europe recently where he contacted many of the leaders in Europe, political and economic, and others, and I think he has a real message to your committee. When the opportunity does arrive, when you have time, we certainly would like to present some further testimony.

Chairman RICHARDS. Are there any other questions?

(No response.)

Chairman RICHARDS. Thank you very much, Mr. Harless. We appreciate your coming.

Mr. HARLESS. Thank you, Mr. Chairman.

Chairman RICHARDS. We appreciate getting the benefit of yours and Mr. Clayton's viewpoint.

The next witness on the list is Mr. J. T. Sanders of the National Grange.

STATEMENT OF J. T. SANDERS OF THE NATIONAL GRANGE

Mr. SANDERS. Mr. Chairman, gentlemen of the committee: the National Grange appreciates very much the opportunity which the committee has presented to us.

Chairman RICHARDS. Mr. Sanders, have you a written statement? Would you rather put it in the record and discuss it offhand? Or would you rather read it?

Mr. SANDERS. It is about 10 double-spaced pages, Mr. Chairman. It would be a little difficult to discuss it because I have not had time to outline it for discussion.

I want to apologize to the committee members for not having mimeographed copies of it. Had I come tonight when I was originally scheduled, I would have been able to have met that deadline.

Chairman RICHARDS. Mr. Sanders, the committee was largely responsible for that. We moved up your schedule to this afternoon. Tonight you would have had those copies, I know. I plead guilty to that.

Mr. SANDERS. The National Grange has supported foreign aid programs of the United States and the United Nations since its inception. We supported these foreign aid programs because we felt they offered the most constructive help to the people of the world who wished to defeat communistic infiltration and outright aggression.

The accomplishment of ECA in Europe has manifold justified our faith in this means of giving hope to a fear-ridden world. We have followed the work of ECA in intimate details, one former national master, Albert Goss, followed by our present master, Herschel D. Newsom, having served during the entire life of the ECA on its present advisory board.

ECA has demonstrated conclusively that the most dependable people are those who have reasonable hopes of their future freedom, and at the same time it has been shown otherwise that the most undependable people are those who can see little such hope.

In a recent report to the President on ECA's accomplishment the advisory board made the following statement:

There is reason to believe that ECA's work actually stopped Soviet Russia from swallowing up Western Europe. In addition, Europe's trade barriers are being broken down and a continental market is being created. Her economy is being integrated. She is being taught American technical know-how; production

is constantly climbing. A healthier Europe and a stronger people elsewhere are emerging.

This is work that must underlie and support any defense effort. The major purpose of these hearings is, we judge, to provide for the defense of our Nation and other friendly nations by building up the free world military forces, by promoting defense production, and by strengthening the will of people to defend their freedom through assisting them in their economic development.

The National Grange believes that all three of these approaches to the problem are sound, but we do not feel competent to discuss the soundness of the proposed military assistance phases of the proposals being considered. In thus avoiding a discussion of the military aspects of aid, we are mindful of the extreme importance of this phase of aid and of the existence of a margin where military aid and economic aid cannot readily be distinguished or separated.

We know that military aid is far more important when measured in terms of immediate national security, but we are convinced that in a longer view of solving the problems of the troubled world economic aid is far more important. Military aid may stave off imminent aggression, but only friendly economic aid that brings mutual improvement to both the receiver and the supplier will in the end bring the world into an era of peace.

Since therefore we are not able to analyze adequately the amount or nature of military aid, we would like to address our remarks primarily to the phases of the work of the committee dealing with the economic assistance, especially technical cooperative assistance.

From the long-time viewpoint we look upon this phase of the proposals, as we implied above, as offering the best hope for a peaceful world. Economic aid if pursued wisely and in the proper spirit will bring hope where there is little hope. It will bring to people the means of helping themselves where, without the assistance, they could not help themselves.

At this point we wish to emphasize the importance of making the economic aid portion of our foreign assistance programs truly mutual assistance programs. These economic programs in the strictest and most materialistic sense, and not in the abstract or tangible sense, can and should be made mutual aid programs.

We believe that every dollar wisely and judiciously spent in helping the underdeveloped free nations of the world to increase and better their economic capacity will return to our Nation at least as many and probably more, hard dollars of return in the future.

Furthermore, we believe that the more clearly this assistance is offered and put on a mutual assistance basis, the more will all nations assist in maintaining their own self-respect and their ambitions to help themselves.

More specifically, what does mutual aid mean? What do we and the other countries each supply and receive? In the first place, we will supply technical assistance and direct financial aid, probably both public and private. In supplying this we should make it clear that we are also giving the receiving nation greater assurance of independence, both political and economic. This means that they as a result should have a greater feeling or assurance against aggression or internal interference, both from the United States or the U. S. S. R., and from other nations.

This assistance should also be given in such a manner as to assure them of the most rapid practical development of, and fruits from, their own natural and human resources. In short, we shall miserably fail in our offer of economic assistance unless we can show the recipients of this aid that it is not given for exploitive purposes but for mutual development and aid aims.

And what kind of material returns do we get from this aid? What do we get out of it? In the first place, one of the most expensive undertakings before this Nation is the elimination of the great danger of communism. We therefore help to create in these underdeveloped areas a progress that stabilizes their friendship for other free nations and an insulation of their political and economic life against communistic influences. This is the really important gain that we undoubtedly realized from Marshall aid in Europe.

But our aid is also certain to bring greater trade and its consequent material gains. It will open up many new opportunities for self-liquidating public and private investments and will add greatly to the security of, and the income from, these investments.

In the months and years immediately ahead we should also gain greatly in the amount, cost, and dependability of supplies of strategical and other needed raw materials; for, from the noncommunistic so-called underdeveloped areas, we obtain around three-fourths of most of our supplies of needed raw products and have in them some of our best export markets.

The economic aid needed for the underdeveloped countries is of a much different nature or kind from that which was supplied to the European recovery program by ECA. In the latter program agriculture played a minor, though important, role. In the underdeveloped areas agriculture constitutes over three-fourths of their economic activity. Also, agriculture in these areas varies widely with its primitiveness.

The problem is first and foremost to develop a more productive agriculture, to first raise their dietary standards and then gradually release farm workers into nonfarm pursuits. All of these countries are important sources of supplies of minerals, timber, and related materials.

Much of the initial stages of economic aid to these countries must be devoted to improving the agricultural and other extractive industries, to give them the double benefit of increased export credits, and to release personnel for work in nonextractive industries.

Undoubtedly the first nonextractive or fabricating industries will be in the lighter industry fields—such as processing food, raiment, and shelter products. This means that both technical assistance and economic assistance in the form of investment must be on a far more modest scale than the assistance supplied to Europe where the problem was the earliest possible rehabilitation of the world's second largest and most complex industrial economy after the problems of its immediate relief were taken care of.

Not only is the assistance in the underdeveloped countries on a relatively less expensive scale than that of the European recovery program, but it will take a much longer period to initiate and mature. In short, it must be on a more modest magnitude and more deliberative basis than the European recovery program.

Agricultural methods are deep rooted in the customs and prejudices, and in the social, religious, and political lives of people. These are not and cannot be changed by revolutionary means, and only highly skilled and experienced farm technicians can understand and develop needed and practical improvements. The most practical way of initiating this type of help is on a small scale and at a cautious rate. Yet this must be initiated and developed fairly successfully and extensively before appreciable workers can be released for programs of industrial development.

The methods used in the technical assistance program conducted by the Technical Cooperation Administration under the direction of Dr. Henry G. Bennett, and in the technical activities of ECA, are geared to the rural, largely primitive economies of the underdeveloped areas. Their primary need is to produce more and better foods to feed their people a minimum required amount of food. To do this they do not need large grants of dollars or consumer goods. They need immediately few or no tractors or other up-to-date agricultural machinery. They need to take simple basic steps that they can understand and apply themselves, largely with the resources they already have at hand. They need scythes instead of sickles, threshers instead of flails, plows of steel instead of wood, and better seed and livestock. They need insecticides and fertilizers and need to know how to use manure and legumes, to know better methods of harvesting and storing their crops, and need better systems of land tenure and credit that will assure them a larger share of the fruits of their labor.

The nature of the problem determines the nature of the solution. It is for this reason that the technical assistance program consciously and deliberately emphasizes the "rural approach." The aid it extends consists primarily of the services of American technicians—agricultural research and specialists, public health doctors and nurses, educational and vocational instructors, engineers and public administration experts—and the training of technicians of the other countries in these and similar fields.

The American technicians are supplied with sufficient equipment and operating funds to show the people with whom they work how to put the improved techniques into practice. This demonstration method has the virtue of seeking not to impose a preconceived, ready-made result upon other people, but of helping them to do what they want and need to do anyway—to better their conditions of life by their own efforts.

It does not humiliate them by offering them charity in the form of food, or goods they will not earn. It dignifies them by enabling them to create new wealth of their own.

This method also enables the American people to express their spirit of cooperation with other people in vast areas of the world at relatively small cost. It has been demonstrated repeatedly that a dollar spent on technical cooperation goes further than one spent on any other form of foreign assistance. Moreover, the people helped in this way can contribute in kind, in the form of services of their own technicians, officials, and workers, their own land, buildings, and facilities, in addition to money in their own currency.

More than 30 countries now cooperating in the technical assistance program are contributing \$3 to every \$1 that the United States is putting into the joint effort. In some instances, small amounts of

United States equipment, such as stainless steel for a vaccine plant, can greatly multiply the effectiveness of a technical-assistance program.

In this area which permits greater use of the funds for investments, the broader flexibility of the ECA legislation has real advantage over that of the Technical Cooperation Act. This broadened provision should therefore be incorporated in all technical assistance work for the coming fiscal year.

Around 20 percent of the countries cooperating in the technical assistance work with ECA, and over 60 percent of the visits of foreign trainees to the United States that are sponsored by ECA, are for trainees to study and learn about improved American agricultural techniques and methods that could be adapted to the more primitive agricultural economies of the countries sending the trainees. This is a very significant and valuable work which has been sponsored principally by ECA in its technical assistance work.

I have just spoken of assistance supplied by the countries being 3 to 1 to what we put up. This does not mean that additional funds are not needed to aid the underdeveloped countries to develop water supplies, sewage systems, hospitals, dams, irrigation canals and power plants, roads, harbors, and industries which they need. These projects require large amounts of capital, but most of these projects can and should be carried out on a self-liquidating basis as they have been in our own country.

Sound projects of these kinds are investments in the economic development of the country and they yield monetary returns either directly or indirectly. Such projects can be financed by loans from the World Bank or the Export-Import Bank, or from private sources.

One of the basic shortcomings of the country with only a primitive agricultural economy is the lack of opportunities for diversified investments. In such a country, as is evidenced by the prevailing situation in India, China, and similar old civilizations, savings of the wealthier people are predominantly invested in rural land, urban real estate, precious metals and stones, and in distributive and financial institutions. These investments nearly always become means of exploiting the masses rather than sources of wealth and income to them. As, for example, the landlordism of India, Italy, Spain, China, and other countries. By offering alternate industrial investment opportunities for savings, by reducing the overinflated social and economic value in landed property, and by helping to work out more attractive land reforms for both the farm operator and the farm owners, the technical-assistance program can bring about a firmer and more stable democratic economy for these underdeveloped countries.

One of the major objectives, therefore, of the technical-assistance program is to help mobilize the capital that exists in many of these countries themselves, and to help create the condition that will diversify and make investments in the underdeveloped countries attractive and profitable to private capital, both domestic and from abroad.

Technicians, working under the technical assistance program, under the Technical Cooperation Administration and ECA, can do this in part directly by developing the engineering and financial plans for sound projects and in part indirectly by energizing the inherent productive capacities of the people in these countries and showing how their natural resources can be soundly developed and used.

Technical assistance is no new and revolutionary concept. It may be made a "bold program," but it is certainly not a bold "new" program. American missionaries have for decades carried out rudimentary technical assistance programs, but nonetheless the essentials of this program all over the world have been conducted in the form of agricultural improvements, hospital buildings, and providing medical care and general economic and social betterment measures.

Furthermore, all the elements of the technical assistance program have been carried since 1938 by our Government in its Latin-American agricultural work. So we are not launching out on an untried or visionary program, but rather on a well-tried and proved program.

There is one difficulty and imminent danger in the effectiveness and soundness of this program of technical assistance. It is fragmented in various agencies in responsibilities of the National Government, between ECA, the Defense Department, State Department, and other agencies. The whole philosophy, method, and approach of technical assistance is different from the major job confronted in the European recovery program, and in military aid. Since this is the case, a separate and unified administration assumes major importance. It should be separately and distinctly administered so that its guiding principles and philosophy may be preserved.

This does not mean that it should not be coordinated with and kept from conflicting with the military and other special forms of aid. All the evidence points to the fact that the President, in requesting Congress to authorize the technical assistance program, and the Congress in adopting the act for international development, had in mind a unified world-wide continuing program to operate in the underdeveloped areas as a whole. Nowhere in the act is there any geographical limitation on where technical cooperation with the underdeveloped areas would or would not be operated. On the contrary, the act explicitly provides:

Sec. 405. The President is authorized to plan, undertake, administer, and execute bilateral technical cooperation programs carried on by any United States Government agency, and in so doing, to coordinate the direct existing and new technical cooperation programs.

We believe that this unification of the administration of the various technical assistance programs is very important, and that in writing the newly revised provision of the technical assistance under one administrator is urgently necessary. This should be done in such a way that the technical assistance program would not be endangered by the necessity of absorption of presently employed personnel of ECA that may be qualified for military and rehabilitation aid, but who are ill-prepared and experienced to perform the specialized technical assistance functions we have described previously.

The major and original functions of ECA were that of administering the immediate relief, and the less immediate job of rehabilitation of the war-devastated countries of Europe. In this charter it was given a temporary existence and a definite termination date. This assignment necessarily involved for Europe some technical-assistance functions, but basically the great mass of ECA personnel is ill-equipped to perform the distinctive job of technical cooperation administration. If these two organizations are to be put into a new and single agency, it is highly important that the Technical Cooperation Administration not in any sense lose its distinctive and unsubordinated identity.

In view of the unfinished task of ECA in the rehabilitation of Europe and the further spread of ECA's functions of rehabilitation due to the mutual defense program, ECA's functions, exclusive of the technical assistance functions, should probably be extended. But under no circumstances should its relief, rehabilitation, and specialized military aid functions be mixed with the technical functions of the Technical Cooperation Administration.

The writer has several different times during the past 2 or 3 months met with the representatives of some 20 or more organizations who were interested in the point 4 program, and he does not recall any vigorous defense of leaving the technical assistance program in and under the supervision of the State Department, although some of these groups may possibly think that it can best be carried out in this Department.

Technical assistance is a job that will involve the necessity of drawing specialists from every department of the National Government -- from Agriculture, Commerce, Labor, Reclamation, Health, Education, Highway and other agencies. Also, to be done with the greatest effectiveness, it should draw liberally from the personnel of our land-grant colleges, our universities and technical schools, and from private service, construction and manufacturing agencies. This means that domestic programs and policies, as well as our foreign policies, must be coordinated with or utilized in the Technical Cooperation Administration programs.

We believe, therefore, that technical assistance should not be left in the State Department but should be separated from any specific department. Because technical assistance must draw in the widest sense from the entire Nation's reservoir of technical knowledge, we recommend that most of the actual workers of the Technical Cooperation Administration be required by law to be drawn by assignment from agencies outside of the Administration, and that its expenditures for salaries of permanent employees be restricted to not over a third of all salary expenditures for any fiscal year, or some other proportion of salaries which an intensive study by the Congress indicates is sound.

Certainly the Technical Cooperation Administration should not be allowed to build its own complete and permanent staff of experts, for when it does, it will lose its resilience to a growing United States technology, and will come into constant bureaucratic conflict with sound domestic sources of technology and experience, and in constant conflict with other departments of the Government.

To the credit of the present Technical Assistance Administration, it has not done this, that is, it has drawn experts by assignments for almost all of its personnel.

We believe that experience of ECA with counterpart funds indicates that a sounder and more serviceable use of these funds can be made than has been the case with ECA. As a long-time policy, we believe counterpart funds should be held to the credit of the United States in the country receiving the original grants from the United States; that these funds should be used in the country only for projects or purposes mutually agreed to; and that if used to build self-liquidating works or projects, installment and interest payments should be deposited to the credit of the counterpart fund. The recipient country should have the right to buy up and close-out all or any portion of the counterpart fund by paying the United States current

exchange dollar equivalents of the retired funds. Thus the counterpart fund would be in the form of a revolving fund used by mutual agreement and held for sole use in the recipient country, but held in the name of the United States instead of the name of the country, as was the case with ECA's funds in Europe.

We believe that efficiency and coordination of the overseas affairs of the United States Government can best be served by administering all overseas affairs except the functions dealing exclusively with foreign policy and diplomacy in a unified "overseas affairs administration" similar to that recommended by a minority of the members of the Hoover Commission, including Mr. Hoover. Such an agency should have an independent status. It should be directly under the supervision of the executive branch, with an active Federal advisory board for the technical assistance work, composed of representatives of the major departments of the Federal Government vitally interested in and contributing to technical assistance phases of the agency's work. The technical assistance work would be one of possibly three coordinate services (following the Hoover Commission terminology) possibly called the "Overseas Affairs Administration," as follows:

(1) The Technical and Economic Cooperative Services;

(2) The Relief Rehabilitation and Recovery Services, which would include present ECA functions, exclusive of all long-time technical assistance work and including the civilian occupied territory functions;

(3) The Overseas Territory and Property Services.

Rough estimates of the amount to be spent for technical assistance during the current fiscal year, including that spent in Asia, Africa, Latin America and by ECA, indicate an amount of from \$275 million to \$300 million. The Rockefeller report suggested that the amount spent for this purpose should be about a half-billion dollars per year. We are not in a position to either endorse the Rockefeller recommendation or to suggest an amount below that suggested.

The question of how much of this should be allocated to the technical assistance work of the UN is a question that merits more study than we have given it. We believe, however, that the UN can perform an excellent function in this field by setting up standards of investment, standards of repayment of loan, rules and regulations that are fair and equitable for both recipient and applying countries, and that are nonexploitative of the underdeveloped areas.

By promoting the use of these standards of technical assistance work done by bilateral arrangements as well as their own multilateral work, and by making general overhead surveys of the needs and priorities of these needs, by analyzing the opportunities for profitable public and private investments of underdeveloped countries, and by undertaking to get the adoption and use of these standards and such surveys by all countries, the UN would do much to dispel the fear of underdeveloped countries of the interference from supplying countries.

Mr. GORDON (presiding). We thank you very much for your statement, Mr. Sanders. It is a very fine contribution to this important bill. Do any members have any questions?

Mr. VOYTS. It is certainly a broad statement and covers all phases of our problems. As I understand it you want ECA to be a separate organization outside of other departments, and the technical cooperation, technical assistance, to be another separate organization. Would

the head of that have Cabinet status? How would you envision that in the governmental set-up?

Mr. SANDERS. We leaned toward the plan that was set up in the Hoover Commission report, which was to set up an Overseas Affairs Administration with services within the Administration following out the terminology of all of the Hoover reports. We suggested that the services be three: the technical assistance service, the rehabilitation service, and the overseas properties and territories administration services. So there would be three services in this administration, and there should be an overhead administrator, and the assistant administrator, probably, of each of these services.

Mr. VORYS. Do you contemplate that would be a new department of the Government with Cabinet rank, outside the State Department and other existing departments?

Mr. SANDERS. I do not believe that that was contemplated by us in discussing this. I am sure that the Hoover Commission did not contemplate it being a separate department with Cabinet rank.

Mr. VORYS. Thank you.

Mr. HERTER. As I understand it, you are bringing an entirely new thought in here, and that is a new organization to take on the administration of overseas territories.

Mr. SANDERS. Yes, sir.

Mr. HERTER. As recommended by the Hoover Commission. That would be one of the three phases of this new outfit. So that in effect it will be like a colonial office under the British Government from the point of view of structure?

Mr. SANDERS. Yes, sir. It would take over the functions now being performed by the Interior Department in administering Hawaii and Alaska.

Mr. HERTER. And the islands in the Pacific?

Mr. SANDERS. Yes, sir; and battleground monuments and properties of all kinds owned by United States all over the world.

Mr. HERTER. So it would take that load off the State Department and other departments of the Government entirely?

Mr. SANDERS. Yes, sir.

Mr. HERTER. You believe there should be a separate administration for the ECA continuing to the point where it peters out?

Mr. SANDERS. Yes, sir; a separate service.

Mr. HERTER. Then carry on with point 4 from there on out?

Mr. SANDERS. Such problems of relief and rehabilitation as are presented in Korea today, if peace comes in Korea, would be a decided function for ECA to repeat some of the things it did in Europe, it seems to us.

Mr. HERTER. We have been asked to handle the whole Korean matter through the United Nations and not through ECA. There has been testimony given at one time or another on both sides of that, whether it should be done internationally, to which I think we are committed, or whether it would be better administration and better policy for us to handle it entirely separately.

Have you any judgment on that?

Mr. SANDERS. My feeling on that is this: It would be very difficult to justify to the people of America if we had to put up about 90 percent of the money to rehabilitate Korea, if we did not take a very direct interest in the rehabilitation. I think we should cooperate

with the United Nations. But I doubt whether the United Nations would have the necessary machinery to administer it adequately, and I doubt whether it would be the most satisfactory arrangement for this country to put up, we will say, 90 to 95 percent of the money and then not have much more direct influence on the rehabilitation work than we would get through the UN.

Mr. HERTER. You would turn the money over to the UN and let the commission of its own choosing do the job?

Mr. SANDERS. That question is one that our organization has not discussed at all. What I have given you is my own personal opinion. Certainly it is not the policy established by the Grange.

Chairman RICHARDS. Are there other questions?

(No response.)

Chairman RICHARDS. Thank you very much, Mr. Sanders. We appreciate your coming up and testifying on this subject.

Mr. SANDERS. Thank you, sir.

Chairman RICHARDS. The next witness is Mr. John Brophy, representing the Congress of Industrial Organizations.

Mr. Brophy, we are glad to have you with us today. You have a prepared statement?

Mr. BROPHY. Yes, sir.

Chairman RICHARDS. Will you proceed?

STATEMENT OF JOHN BROPHY, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. BROPHY. Members of the committee have copies of the statement. It is rather brief. The Congress of Industrial Organizations appears today to give its support to the principal components of the Mutual Security Program, now under consideration by Congress for the 1952 fiscal year.

We want to emphasize the fact that the Mutual Security Program recognizes the interdependency of military, political, and economic measures necessary to insure the security of the free world.

We believe that neither political and military security nor economic security taken alone can answer the problems of the world today. Political and military security standing alone are at best precarious because they are always subject to an attack upon their flank—where the ill-housed, ill-clothed and the ill-fed are fair game for those who would exploit their need. Economic security standing alone fails to take into consideration those human needs and aspirations—individual freedom, the right to free expression, to worship as one pleases, and other fundamental rights of men—and could lead only to eventual enslavement.

I might add here that last year, in July and August, I was in south-east Asia on a commission representing the International Federation of Free Trade Unions. There I met representatives and groups of people in all walks of life. The effort of this commission was to get a clear picture of the situation, particularly from the trade-union standpoint, as to what could be done to aid in meeting some of the problems that had created the widespread revolution that had been going on in Asia for many, many years. The thing that stood out in that experience was that mass poverty, illiteracy, and disease were everywhere, and a terrifically low standard of living, unbelievably low

to the western mind, in that area that we visited, and they are all underdeveloped areas. There we see unrest and tension everywhere, caused by the great disparity in living standards, in the underdeveloped as compared with the developed countries of the world.

I think this can be told graphically by just a simple figure or two. The average annual income in the underdeveloped countries in this area where two-thirds of the population of the world lives, is \$41. An unbelievably low figure. While in the developed countries, the figures were \$461, and, of course, it is much more in the United States. That, I think, tells a story, tells a story of a standard of living that is animal in its meager supply of food and shelter. In some cases it is so close to the minimum that it is almost nonexistent, at least for shelter.

I saw millions of these impoverished people in India and other countries through that great arc of some 7,000 miles of Southeast Asia. When that miserably low standard of living is coupled with an average expectancy of life in the underdeveloped countries of 27 years, as compared with an expectancy of life of 63 years in the developed countries, you get there the basic cause of the great social unrest that has been disturbing all of the underdeveloped countries of the world, particularly Asia.

Unless we meet this problem of poverty, it seems to me that we are going to be in a condition of world turmoil all the time. So the organization for which I speak, the CIO, meeting in twelfth constitutional convention at Chicago, Ill., in November 1950, adopted a resolution which said, in part:

We shall defeat the forces of Communist tyranny and create the world environment in which a just and lasting peace can be won only if we mobilize the full strength of the free people of the world to fight the forces of communism on every front. A purely negative approach to this problem will not get a satisfactory answer. We believe this requires that American democracy fully mobilize its human and material resources—its economic and spiritual power to forge weapons of war to stop Communist aggression on the military front, and the tools of peace to fight poverty, hunger and injustice on the economic and social fronts.

For these essential reasons, the CIO supported the European recovery program, the military assistance program, and the Technical Assistance Act. It believed that if the free world was to be defended, it needed the economic and military power which was basic to that defense. The United States, in its position as leader of the free world, has the responsibility of helping its allies to help themselves in the cooperative struggle for peace and security. The mutual security program is the expression of that responsibility in concrete terms.

Without such a program, we would be serving notice on the free world that we were content to "go it alone." But many years of isolation, with its disastrous consequences, should have indicated to the skeptical that we cannot retire behind our Atlantic and Pacific moats that can now be crossed by air in a few hours.

We are in the world to stay and we should have learned by this time that if peace and security are to be firmly established, they will be achieved by collective action. Collective action is the essence of the Mutual Security Program. Section 2 of the act declares:

The Congress declares it to be the purpose of this act to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly countries to strengthen the individual and collective defenses

of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States and to facilitate the effective participation of those countries in the United Nations system for collective security.

However, it must be emphasized that if the Mutual Security program—or any program of international aid and assistance—is to be effective in preventing the world-wide scourge of Communist imperialism, it is clear that attention must be paid to the ills upon which communism thrives. Military aid must not be used simply to bolster reactionary regimes in power—economic aid must reach the rank and file of workers and farmers. We would indeed be pouring American money down a bottomless pit unless we see it to that our aid abroad does improve the standard of living of these people.

In Europe—particularly in Italy, France, and Western Germany—there is an urgent need for closing the gap between prices and wages. Without such reforms, the Communists are all too likely to reap the harvest. In other parts of the world, particularly the colonial and former colonial areas, Communist imperialism has found fertile fields for its nefarious activities because poverty in fact does exist there to an appalling degree. Simply granting military aid to the governments in power in these areas will not be enough to stop the sweep of communism there; the working people must actually have a way of life they feel is worth defending against Communist aggression. And I believe, after meeting, as I said, some thousands of people in all walks of life and listening to their stories, very largely through interpreters, I am convinced that there are elements, even among these poor people, who have hopes and do have desires, and who recognize that something can be done if there is cooperation, if there is some assurance in that directing in working things out in a progressively helpful and cooperative manner.

It is to be deeply regretted that we live in a world where crisis and tension abound, where we must gird ourselves with armaments in order to stave off a third world war. The tremendous emphasis in the Mutual Security Program on weapons for war as against the tools needed for positive construction should not obscure the other purposes of the program. It can be truly said that without Marshall aid, the Red tide would have long since reached the English Channel and engulfed large areas of the world.

We believe that more emphasis than is being given should be placed on nonmilitary aspects of the Mutual Security Program. The nonmilitary appropriation is but a small fraction of the cost of our own national rearmament program. We think that it should be enlarged, and we base our opinion on the belief that in many parts of the world, a new irrigation pump is equal to a battalion of armed and equipped soldiers. Again, in the words of the Foreign Policy Declaration passed by the Twelfth CIO Constitutional Convention assembled in Chicago, Ill., in November 1950:

* * * The struggle between freedom and tyranny—between democracy and communism, is a struggle for men's minds, their hearts, and their loyalties. We cannot win this struggle—we cannot make freedom secure and build peace in the world if we fight communism with guns alone * * *

And we may have to do that. But it is true that great ethical principles have dynamic powers that exceed and are beyond the power of explosives. We reiterate that while it is urgent to build up military

strength for the common defense, we must not lose sight of the fact that, in the last analysis, peace, democratic free institutions, and human welfare can be assured only within the framework of an expanding world economy.

For the purposes of long-range economic development, particularly in the underdeveloped areas, both public and private sources should be channeled into investment abroad. A new Overseas Economic Administration is needed to integrate the work of the present agencies, including the Export-Import Bank, which are functioning in this field and to coordinate this activity with the work of the World Bank and the United Nations. The old American tradition of help thy neighbor paid off because it established better community relations, and while it did not obviate the necessity for a local police force, it did at least prevent chaos. The same situation can prevail in the world at large.

As always, American foreign policy should be dedicated to positive and constructive goals, while we stand ready to defend our free institutions and our way of life.

I think the use of economic power, backing great moral principles, will win out in the great struggle for men's minds and for a stable world in which men can live in freedom and peace, and can build up their standard of living to something approaching decency. In Asia there is great potential of resources that can be developed and tapped, and men's lives can be enriched and made more hopeful and secure.

Chairman RICHARDS. Thank you, Mr. Brophy. We appreciate your coming here and giving us the viewpoint of your great organization, made up of so many thousands of American working men and women, in regard to this program.

Mr. VORYS. In the point 4 program in this committee, we wrote in a couple of provisions which would have made it part of our basic law to encourage increase in wage and living standards in other countries. We had a dual purpose in mind. It would be of great benefit to people in those countries, and it would also benefit our own workers and the industries in which they worked by cutting down the competition from underpaid workers abroad.

Mr. BROPHY. Very good.

Mr. VORYS. It was a good idea, but after a bitter fight it went out in conference.

Mr. BROPHY. It has always paid worth-while dividends to stand for sound principles.

Chairman RICHARDS. Mr. Javits?

Mr. JAVITS. Mr. Brophy, the CIO represents workers, very many in heavy industry. Do you believe that your members fear the competition, either in this country or in the free world, that might come if there is greater industrialization in the free world, or greater ability to supply consumer goods in underdeveloped areas?

Mr. BROPHY. I think that more and more people understand that we can organize our affairs in such a way that they do not impair the standards of those people who have won advanced positions. I think that there is a better appreciation of the interdependency of people and a willingness to take certain risks, and they do not need to be really risks if we make a cooperative approach. I think the statement that I have read, as representative of the CIO, is a reflection

tion, a very, very substantial reflection of a point of view of the membership.

I do not think they are afraid of competition. I think they feel that we can maintain our legitimate position and our standards and still at the same time cooperate to build up the rest of the world on the basis of social justice.

Mr. JAVITS. As a matter of fact, we can have even higher standards and greater well-being in our country if the rest of the free world is better off.

Mr. BROPHY. That is right. But \$41 a year average for some three-fourths of the population of the world, is no market for anybody or anything.

Mr. JAVITS. Therefore the low standards of living throughout the world have a tendency to drag down everybody's standards, including our own?

Mr. BROPHY. Very true.

Mr. JAVITS. That, of course, represents a modern philosophy on the part of the great labor federations. What was their point of view in bygone years?

Mr. BROPHY. That is true, that in a period when the trade-union movement was weak and fighting for a toehold, its position might have seemed narrow, looking at it very generally. But now that labor is strong, now that labor has more than a toehold, it has a definite position in American society, it can afford to look at matters very broadly and surely. This is not the time to maintain a rather limited point of view that might have prevailed in some sectors of the trade-union movement in years gone by.

Mr. JAVITS. Has that same point of view in fact also motivated labor in its changed outlook on immigration which it took since 1945 with respect to displaced persons?

Mr. BROPHY. We need more understanding about the displaced persons immigration. We can afford to take a more liberal attitude than has been the case in years gone by. I think the very fact that we have built up labor unions to the extent that we have will permit us to take a more liberal attitude on the subject of immigration.

Mr. JAVITS. Would you like to add any other to the modern fundamental elements of the philosophy of the American labor movement?

Mr. BROPHY. I think it is true that the sense of social responsibility grows with numbers and with power. That is, labor is concerned with basic questions, basic industrial questions. It recognizes the importance of production in support of a good wage; it recognizes this increase in production makes possible a program that will work for peace; and I think that very generally the labor movement has broadened its outlook. It is socially minded to a greater degree than in the earlier days when it was fighting for its very existence. It has shown a sense of responsibility and accepted citizenship in the fullest degree. So that labor has great promise in dealing with not only the domestic problems but also with international problems. I just came from an International Trade Union Congress in Milan, Italy. I left there a week ago Sunday. There were representatives from all the free trade-unions of the world. Some of these unions were from countries that had been at war with us.

There was a new fraternity developing based upon peace and justice, based upon the strengthening of democratic institutions and processes, an effort to build up production, to build up and strengthen the economies of the countries whose economies had been damaged by the war, and a sense of total social responsibility that should be heart-warming to those who believe in people doing the right thing in the right way for a just cause.

Mr. JAVITS. I think, Mr. Brophy, it is for that reason that so many of us feel that the trade union movement as now developing is one of the very foundations for fighting against communism in our country and in other countries of the free world.

In many countries where such a statesmanlike trade movement is lacking, there is infinitely more opportunity than there is in countries where it is present, for the advance of communism internally.

Mr. BROPHY. We of the trade-unions oppose communism because we love freedom and democratic institutions.

Mr. JAVITS. Thank you.

Mrs. BOLTON. May I say something on that? I have tried to read everything that I could lay my hands on with respect to the Milan meeting, as well as talking with some people from abroad. I appreciate very much the work done by your union and by the AFL in the work against communism in years gone by, in the Italian elections, and so on. It is most heartening to have you express yourself as you have today.

I think all of us feel just what you have expressed, that there is a growing sense of responsibility on the part of trades-unions, that it is an imperative thing if trades-unions, management, and the people are to sit down together and work out together the strength of the people and of the world, and they must sit down together if we are to build a strong nation.

Mr. BROPHY. If we have confidence in democratic principles and great faith in it we can overcome totalitarian action, whether it comes in the guise of labor, as Communists present it, or in any other form—we can overcome it provided we are true to our own democratic ideals and principles.

Mrs. BOLTON. We must find ways for deeper understanding of each other.

Chairman RICHARDS. Thank you very much, sir. I want to say to the members of the committee that we have a very important meeting tonight. I do not believe it will last over an hour.

We will recess at this time until 7:30 this evening.

Whereupon, at 4:55 p. m. the committee adjourned, to reconvene at 7:30 p. m. the same day.

NIGHT SESSION

The committee met in the House Foreign Affairs Committee Room, the Capitol, at 7:30 p. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we will continue the testimony on the Mutual Security Program. Our witness tonight is Clarence Streit, of the Atlantic Union Committee.

Mr. Streit, do you want to make a preliminary statement of your connection with the Atlantic Union Committee, or proceed with your testimony?

**STATEMENT OF CLARENCE K. STREIT, ONTARIO APARTMENTS,
WASHINGTON, D. C.**

Mr. STREIT. Well, Mr. Chairman, I would like to make a preliminary statement. I understood I was testifying on the Mutual Security bill as a citizen who served many years as a correspondent of various American papers in Europe and the Near East and Africa.

Could I condense this as I go along? I had to make it hastily.

Chairman RICHARDS. I think maybe you could condense it and put the whole statement in the record. And there may be some questions we may want to ask you.

Mr. STREIT. Shall I proceed?

Chairman RICHARDS. Yes.

Mr. STREIT. I wish to testify on the Mutual Security bill as a citizen who served many years as the correspondent of various American papers in Europe, the Near East, and North Africa. The last 10 years of this period I covered the League of Nations and the disarmament conferences for the New York Times.

This experience led me to write a book, *Union Now*, dealing with the basic problem the bill before you tackles.

I also speak as one who recently returned from a crowded 3-month trip to nine European nations: Britain, France, Switzerland, Western Germany including Berlin, Belgium, the Netherlands, Denmark, Norway, and Sweden.

How crowded that trip sometimes was may be seen from the fact that on my last day in Paris I talked with General Eisenhower; President Auriol; Vice Premier Plevin; Jean Monnet; Edouard Bonnefous, chairman of the National Assembly's Foreign Affairs Committee; General Billotte, right-hand man of General de Gaulle. I met with a group that is organizing a French Committee for Atlantic Union, and then I spoke extemporaneously in French for about an hour at a night public meeting.

Among the others with whom I had previously talked Atlantic Union were the British Foreign Secretary, Herbert Morrison; the Conservative leader, Lord Salisbury; Arnold Toynbee; former French Premiers Herriot, Bidault, Reynaud, Ramadier, Mollet; Dutch Foreign Minister Derk Stikker, who is president of the Council of Europe; former Belgian Premier Spaak, who is president of the European Consultative Assembly; President Van Cauwelaert of the Belgian Chamber of Deputies; Foreign Ministers Lange of Norway and Petitpierre of Switzerland; ex-Premier Sandler of Sweden; Walter Hallstein, Permanent Secretary of the West German Foreign Office; Heinrich von Brentano, head of the German Catholic Party; the French and American High Commissioners, Francois-Poncet and John J. McCloy; the French and American Atlantic Council members, Herve Alphand and Charles Spofford; Ambassadors Bruce, Gifford, Murphy, Chapin—but I will exhaust you before I exhaust the list.

For I saw 34 top-level statemen, plus 71 diplomats, including 9 ambassadors and 40 United States diplomats, plus 53 labor, socialist, and trade union leaders, plus 48 Conservative, Liberal, Catholic and

other party leaders, plus 34 European business executives, plus 26 eminent scholars, plus 121 editors and newspapermen—387 persons in all.

I also addressed 32 groups in 7 countries, in all about 2,000 persons. These figures will indicate the basis on which I give my views.

I strongly favor adoption of the Mutual Security bill with no cut in the aid it provides, but I would urge as earnestly as I can that it is not nearly enough to achieve the purpose.

I would say of it what I said on earlier occasions when Congress was considering approval of the United Nations Charter, the British loan, Turko-Greek relief, the Marshall plan, the Atlantic Pact, and the Mutual Defense Act: it is a step in the right direction but it is not nearly enough to do the job the American people want done: to end the menace of dictatorship without another war, and without living forever on the edge of war.

Events have proved that each of these steps was at bottom merely a time-gainer. At each step some of us urged that the time gained be used to explore the possibility of doing the job the American people want done by federating the Atlantic democracies in a union of the free modeled broadly on our own Constitution.

Congress has not yet even begun to explore this way out, though an Atlantic Union resolution, House Concurrent Resolution 26, calling for a Federal convention of the sponsors of the Atlantic Pact to make this exploration, is now before Congress with, I am glad to say, the support of many members of your committee.

Not only has each proposal put before you proved merely a time-gainer, but the time gained has been used so far only to prepare another time-gaining proposal. At first it cost us only money, though more and more billions, to buy time. Those were the years of the British loan and the Marshall plan.

But since then we have been buying time not merely at still greater cost in money but with American lives. Who will say that we shall not have to pay still more in future, if we do not mend our ways and use this precious time to prepare something more than stopgaps?

And so I would urge that you couple or follow up the passage of this Mutual Security bill with prompt adoption of Atlantic Union resolution. I would like to give you a few reasons why.

More important, perhaps, than anything said to me by European statesmen or Americans serving in Europe was the better perspective I think I gained abroad of the great debate and of the problems General Eisenhower faces over in Europe.

General MacArthur is right, I think, in insisting that the administration provide a reasonable plan for winning the world-wide struggle with communism, some hope of victory in the foreseeable future. General Marshall is right, I think, in insisting that the MacArthur plan does not provide that hope.

But what does General Marshall offer as a plan for winning soon, and without war, our world-wide struggle with dictatorship? At best, what is this administration plan but the old policy of containment, which with all the good it has done, has already led us from nonmilitary aid to Greece, through the Berlin airlift to the Korean War, from crisis to ever more perilous crisis?

Certainly among its fruits have been heavier taxes, inflation growing like cancer, military service extending, world war coming nearer and nearer.

In holding that we cannot hope to remove the world Communist menace by a policy of merely resisting aggression, General MacArthur is right. The administration, it seems to me, concedes this major point when its spokesmen keep telling us—and how often we hear it—that we must prepare for some 30 years of world tension.

In other words, they offer us nothing better than everincreasing taxation, evergrowing debt and inflation, ever greater military sacrifice, more and more and more and more—30 years more—of living as we do now, on the edge of world war.

Three points are essential in any strategy that would win this struggle for freedom without another general war.

First, such a strategy must be based primarily on the free Atlantic community.

Second, it must unite that community in the strongest way.

Third, it must, above all, unite and arm the free, not just materially, but morally, with a powerful idea.

It must be based on the Atlantic if only because 97 percent of the people who have practiced individual freedom for even 50 years live around the North Atlantic. About half of them live here in the United States and Canada, the other half in Western Europe. We cannot save freedom by sacrificing half of the freest people on earth.

The American people recognized this when they decided to invest \$16 billion in Western European recovery. They recognized it when they followed this up with the Atlantic Pact. The ECA has done wonders under the wise guidance of Paul Hoffman.

One of the things that most impressed me in Europe was the astonishing degree of recovery already achieved. It could not have been done without our aid. Still less could it have been done without Europe and the Europeans, without land of such resources, without people of such resourcefulness, education, skill, vitality, freedom.

What impressed me even more than our aid to Europe was the strength of Western Europe itself, its intrinsic strength. The essentials of that strength are the people, their freedom, their knowledge and skill, their land, their small towns, their great cities, their factories, means of communication, their renowned universities and schools. Relatively little of their strength viewed as a whole was destroyed by the war and much of the destruction has been already repaired.

The people—there are now more Europeans in Western Europe than before the war. They have lost none of their liberties; they have gained in freedom. I call it a gain when women now can vote in France, and that no one lives in terror now in Western Germany. In some important respects they still know more than we, and are more skillful, just as we surpass them in other important ways.

Their land has hardly been scarred by the war. Flying over it as I did, one can see pockmarks here and there made by bombs that fell in the fields, but you have to look carefully to see such scars; you cannot help but see that almost every acre is under careful cultivation.

The destruction we associate with war was mostly in the cities, ports, factories, bridges. I saw some appalling examples, especially the German cities, as you no doubt have seen.

But I also saw many great cities that came through with little damage: Paris, Lille, Brussels, Amsterdam, Copenhagen, Oslo. And even in Germany the small towns and villages seem to have escaped, generally speaking.

The factories, railroads, bridges, mines—they suffered the most. But here too, even in Germany, many escaped. In general, the damage was such that only a few billion dollars were needed for Europe to surpass in a few years its prewar production.

The great network of paved highways in Europe remains intact. So, too, is one of its greatest assets, its amazing, teeming network of inland canals and navigable rivers. As for such ancient places of learning as the Universities of Oxford, Paris, Brussels, Amsterdam, London, I can testify from personal knowledge, having spoken in most of them, that they were spared by the war.

We have heard too much about what the war destroyed in Europe, too little of the essentials that survived it, too little of the fact that its capital installation still far surpasses that of any other equal area on earth save our own. We have heard too much about Europe being bankrupt, too little about the sterling qualities of our fellow freemen in Europe which allowed them to come so well through an ordeal such as we have never yet had to meet here at home.

And so while the great debate centered American attention on Korea, I returned from Europe with a new respect for its unique importance to freedom.

Where, I ask you, where on this planet could we have gained so soon with so few billions such remarkable results as the ECA has already produced in Western Europe? In other continents where we would have had to build even the roads, build even the schools that teach ABC? Where else on earth could we have strengthened the forces of freedom so much at so little cost?

I come from the West. I was raised in the Rockies. As a transitman I have made the first surveys ever made of many square miles of public land in Montana and Alaska, working for the General Land Office. I know what it means to be in a land where everything is yet to be done, where there is not even a trail, a wilderness where people are few.

I love that kind of country as I do no other, but it has taught me to appreciate how much work has already been done in Western Europe by generations and generations of men, and what a wealth of quick assets freedom already has there.

We Americans needed more than a hundred years to give our land the people and the plant that have made it so powerful. We drew the great bulk of those people and most of the original capital from Western Europe.

We ceased being a debtor to Europe because of the wars it suffered on its soil. But now that we have helped restore European production and made it all the more a prize for Stalin, it would be folly to leave this prize weakly defended.

I come back to the point I made No. 1: Any plan that honestly and intelligently aims to win for freedom without world war—and without making our generation wait tensely through 30 bleak years—any such plan must be based on the Atlantic, and not elsewhere, because the other half of freedom's world is Western Europe.

Now for point No. 2: Any such plan must seek to unite freedom's two halves in the strongest way.

Does anyone really believe we can otherwise win this world-wide struggle in a few years without world war?

Well, how is our Atlantic community now united? We have the Atlantic Pact, and the Atlantic Council, and General Eisenhower and his Atlantic Command.

We have an Atlantic set-up whose structure is as undemocratic as it is unworkable. In creating it we have done something unheard of in this country, or in any other democracy. We have established a military command without constituting any effective civil government to control it. Fortunately, General Eisenhower is a thorough-going democrat—with a little “d.” But that does not make our Atlantic set-up a democratic one, let alone workable.

The Atlantic Council is the nearest thing to a political authority to which General Eisenhower can now turn. The present treaty limits the Council to power merely to “recommend” action to each of the 12 governments now represented in it. Unanimity is needed even to recommend, and each has an equal vote, the United States and Luxemburg.

An eminent man in position to know first-hand told me in Europe that dealing with the Atlantic Council is “like being in a boat in the Atlantic Ocean without any oars and without any helm.”

“Right now,” I was informed authoritatively in Paris where General Eisenhower has his headquarters, “the Atlantic Council can’t settle such a small question as apportioning among its members the expense of General Eisenhower’s staff. What are they going to do when they have to apportion the expense for cannon, soldiers, planes?”

An effective political authority cannot be provided without a new Atlantic agreement. The problem is one of setting up adequate democratic executive, legislative, and judicial authority, responsible to the people who are providing the soldiers. This is a constitutional, not a diplomatic problem. It is the kind of task the Atlantic Union resolution would tackle. The longer the United States delays in thus tackling it, the more we undermine freedom’s great asset—General Eisenhower.

It does not take one long in Europe to understand that he is the one man who is capable of weaving the tough but tangled threads of democracy into a powerful Atlantic life line. Yet today he is in danger of being damned if he does and damned if he does not.

If he does make political decisions he risks suffering General MacArthur’s fate, but if he does not enter the domain of civil authority, essential decisions, as things now stand, will not be taken in good time—and the general risks being blamed for disasters that follow.

There is good reason to believe that General Eisenhower was sent to Europe in the hope that through the magic of his personality he could get the good results from NATO that he did from the wartime alliance. In other words, it was understood his own role would be more political and diplomatic than purely military. It seems to have been overlooked that this assignment was far harder than the previous one. He has to achieve results now without war’s pressure for unity and action, and without even a *de facto* civil authority, such as the Roosevelt-Churchill team, to back him up.

General Eisenhower, one can be certain, quickly felt the fears roused in Europe by the MacArthur affair. Nor can he fail to realize that his present position and relation to the White House are quite different from that of General MacArthur in Korea. Because the troops

in Korea were mainly American, the White House could supply the civil authority which the United Nations Security Council could not effectively provide. But the troops under General Eisenhower as Atlantic Commander, instead of being predominantly American are to be predominantly European.

There is good evidence that after the MacArthur affair General Eisenhower leaned backward to confine himself to the purely military side of his office. And so indispensable work on the political and diplomatic side which it was hoped he could push forward despite the defective Atlantic set-up lagged even worse than before.

We owe it to democracy, and to General Eisenhower, to back him up with an effective democratic Atlantic government. This essential to success cannot be provided quickly. We do need to buy time to provide it. But while we delay to tackle this constitutional task, we are wasting the time that the administration has been buying in Korea at such cruel human cost. The one goal that justifies such sacrifice—world victory for freedom without world war—requires this precious time to be used for much more than arming. The arms will be of little avail if the Atlantic community has no effective government.

So long as the two halves of the democratic world do not trust each other and their own principles enough to tackle the task of constituting that government, so long as statesmen are too "practical" to begin using this way the time they are buying with the blood of young men in Korea, we are not going to awe Stalin into keeping the peace, or develop the revolutionary moral power that can overthrow his dictatorship from within.

To win without world war—and without being bled white through 30 bleak years—we must (I repeat point No. 2) unite the two halves the strongest way. That means we must unite them organically. What American will deny that the strongest way to unit sovereign democracies organically is through federal union? That is the way the people of our own 48 States are united.

Let Congress take no more chances on doing too little too late. Let Congress follow up this Mutual Security bill by passing promptly the Atlantic Union resolution which calls for a federal convention this year to explore with other democracies how far we can go in constituting now that kind of union.

Through that kind of union we can win without war. Let me give you some evidence from Europe on that. I asked several Germans—one of them fought at Stalingrad—if they thought Moscow would attack if we made that kind of union. They all answered substantially this: "Such an Atlantic Union would be so strong that there would be no further danger of war." Those men could not afford to guess wrong. They would pay with their lives if the Red Army moved forward. They live in the American sector in Berlin, where the Red Army needs only suddenly cross an unguarded street to take their lives. You have no doubt crossed that street, as I have, and gone into the Soviet sector and back.

Through Atlantic Union we can win without 30 tense years of ruinous taxation. An eminent man in exceptional position to speak told me in Paris: "I believe if we got effective political union in the Atlantic, we could cut our defense costs in half."

I reported that statement to another eminent man in Washington. He studied it, and then he concluded: "Yes, I suppose we could cut our costs by half if we formed a real United States of the Atlantic."

We Americans alone are spending this year, I understand, \$50 billions on defense. The Government, I hear, plans to spend \$70 billions on it next year. How much more will it be spending in the fifth, the tenth, the twentieth year of those thirty tense years? Think of saving \$25 billions the first year, \$35 billions the next, incalculable billions the following years. Think of the roads, the schools we could then help Asia to build. Think of saving all the lives we would save by winning without world war. Think of the golden age we can enter by being ourselves the men and women who had the courage to unite both halves of the Atlantic in one great union of the free.

Is it not worthy of being explored? Dare we continue buying time with other men's guts if we have not the guts ourselves to use that time now even to explore Atlantic Union?

I come to my third and final point: Any strategy that would win this struggle without war must above all, unite and arm the free not just materially, but morally, spiritually, with a powerful idea.

When you examine the bill before you from this standpoint, its inadequacies become positive dangers. To rely, as we do with it, on money and material alone, can be worse than money and weapons wasted.

If anyone thinks that alliances fail only among autocracies and can be relied on when a democracy pledges its word, I suggest that he reexamine the history of the last 200 years, beginning with the alliances our own 13 States formed among themselves under the Articles of Confederation and their alliance with France. I would refer him also to the section on "Morale," pages 8 and 9, of the pamphlet giving basic data supplied by the executive branch on the present bill. There the executive gives some reasons why it is harder to hold together under freedom than under autocracy.

We must take no chances—but look at the chances we are taking if we fail to accompany this bill with an effort to bind the Europeans to us by the most powerful of political and moral bonds, federal union. When I returned to Europe this year I had not seen it since 1938, before the war. A thing that struck me immediately was that the standard of living of the British and French people—to say nothing of the Germans—was distinctly below their prewar standard. All the reports tell us—and them—that they are now producing more than they did in 1938. The basic data of the Executive stress this point, find it "inspiring," but skip suavely over the human fact that the producers are still worse off than they were. The nearest the basic data come to recognizing it is this gem of gobbledygook on page 14: I quote:

There has also been some peristence in segments of the free European peoples of attitudes retarding rearmament. These include: Reluctance to postpone indefinitely, through large sacrifices for a stronger defense, the fulfillment of hopes and expectations for a better standard of living after a long period of want and frustration * * *

I would like to quote what U. S. News and World Report says in its current issue, July 17, 1951, on that subject:

In plain language United States experts say that practically the entire French defense program has been financed out of the living standards of the lower-income groups.

The groups, I might add, that are going to furnish the soldiers.

We Americans are obviously hoping now to gain a better standard of living than we have ever had, despite the burden of Korea and rearmament. But suppose we had had the war on our soil, had suffered as the Europeans have, and then after 12 years of this were told we were producing more than in 1938—and needed only look at the supper plate, the wife's dress, the shabby house, to see we had not yet regained even our previous standard of living.

Suppose we were working hard all day producing good clothes which we used to wear ourselves, but could no longer buy; they were reserved for export to rich Europeans so that our country could overcome the pound and franc shortage. And then suppose our hopes of regaining our old level of life were "indefinitely postponed," to quote the Basic Data phrase, by those rich Europeans threatening to cut off their aid to us if we did not shift more men, materials and plants to rearmament to help them fight the Communists.

Our generals and diplomats apparently do not think such human facts important as regards a security program. Well, I do.

I think Aneurin Bevan, who is already exploiting this situation in Britain, is no fool in politics, but I am not so sure about those among us who are doing nothing realistic to meet this situation.

The wonder to me is not that the Communist vote has fallen so little in France, but that it has not risen. When I consider the living conditions of the people there, as I found on my return, I think their resistance to communism is proof their individualism is deeply rooted, and that freedom appeals to them strongly. But they and even the British are human. It is idle to suppose that Atlantic rearmament can continue long on the present alliance basis without inflation striking their standard of living even worse than ours.

Well, then, what then of the arms they have, and the bases on which we are staking our security—while leaving all this to depend on a mere alliance between governments? Theirs retain all the national sovereignty ours insist on keeping, and they can change those governments with an election, or as in Czechoslovakia.

Wherever the blame may lie, the net result of United States policy in China was to arm communism in China with American arms. I would put on the record now the belief that if we fail to shift the basis of our security in the Atlantic from alliance to federal union, we shall see the day when many of the arms we send to Europe will also be used against us by communism, after perhaps an interlude of neutrality.

Armed power, money power, material power—put together these are not enough, and left alone they are a fearful danger to those who rely on them. We must arm the free with political, moral, spiritual power or we perish.

Who is to arm us with a powerful idea?

The Defense Department? That is not its side of the security problem.

The State Department? The White House? These have a responsibility in this field, and it seems evident to me that they are not discharging it. They seem to rely mainly on arms. If they were as active and productive in developing the political and moral side of our security as Secretary Marshall and Charles Wilson are on the arms and material side, how much brighter the outlook would be.

But Congress has its responsibility, too. Before there was a State Department or White House, there was Congress. From it came the great Declaration of free principles of government that brought Lafayette, Von Steuben and many others to Valley Forge—to fight with us for liberty when about all we had was moral power. And when the victory thus won for individual freedom was threatened by the chronic fatal malady of all alliances, by the sovereignty each of the 13 States insisted on retaining at the sacrifice of the life and liberty of the citizens—when the free faced on a continental scale then the problem we face on an oceanic scale today, it was again Congress that called the Federal Convention in 1787 to explore whether something better than alliance and league could not be found. The result was our present Constitution, the creation of the Federal Union system under which freedom has grown so strong.

Here is the great idea we need. Freedom alone is not enough. Freedom without union is anarchy, just as union without freedom is tyranny. The great American idea is, in the words of Webster, "Liberty and Union, now and forever, one and inseparable."

It is not enough to urge union on the Europeans. Every time we urge on them what we refuse even to try to do with them, we lose in moral power. We may—though this is very doubtful in my judgment thus get the Europeans to federate, but we shall not thus solve our security problem of binding them strongly to us, morally and politically.

More than one European statesman prominent in efforts for European Union at Strasbourg told me that "Atlantic Union is the only way to keep these efforts from proving vain; it would greatly help them to bear fruit."

"We need Atlantic Union," a famous European diplomat still in active service said to me, "not only for military and economic defense, but for moral recovery, to capture the imagination of the sorely tried people of Europe, to fire them with new hope as only a bold idea can, and above all to give Europe's young people the faith in the future they are hungering for. Europeans are now very receptive to the idea of international federation, but Strasbourg is discouraging many, and there is a great danger of the old evils of nationalism returning as Germany grows stronger."

A former French Premier said to me: "We must not forget the people behind the iron curtain, where communism's deadening yoke is settling down." And I might interject there, I spent many years as a newspaperman covering that area of Europe—Czechoslovakia, Hungary, Vienna, and the Balkans, and so I know whereof he speaks.

He continues: "I have a feeling that time is slipping through our hands. Atlantic Union now could unleash the revolutionary force needed if those people are to free themselves."

I wish you could have heard the tone in which a very influential Belgian statesman said to me: "Don't let another year go by without adoption of the Atlantic Union resolution, or it may be too late."

I found, of course, many shades of opinion in Europe with regard to the Atlantic Union resolution, but the net result was very favorable. Among the doubts expressed, the most widespread and significant was that Congress would ever adopt this resolution. That the United States should thus offer even to explore federal union with them—though the Atlantic Union resolution involves no greater

commitment than exploration—seems to many Europeans too good to be true—"a fairy story," as one statesman witsfully said to me. That shows how its adoption would electrify Europe and arm us with a powerful, morale-making idea.

For Atlantic Union to change from fairy tale in Europe to the next great achievement in American history depends now on Congress, and first of all on your committee. It is for Congress to arm us morally as well as materially, and nothing can prevent Congress but Congress itself from doing this. I trust your committee will decide promptly to follow up this hearing on this Mutual Security bill with a hearing on the Atlantic Union resolution which alone can make that security secure.

Chairman RICHARDS. Thank you, Mr. Streit. You are a very persuasive witness.

I remember some years ago when I think you, more than anybody else, initiated this idea. Some people called it a dream. You were a voice crying in the wilderness then, more or less, but you have a lot of powerful people supporting you now, people like Justice Patterson, formerly Secretary of War; and a former Justice of the Supreme Court of the United States, Mr. Roberts; Will Clayton, formerly Assistant Secretary of State for Economic Affairs; and a lot of other people.

It is a very entrancing idea. I do not know whether it would work or not. If you want to, you can start it off by having the resolution prepared and getting together and deciding the first step to put into effect.

A few years ago nobody would have ever dreamed that the North Atlantic Pact would have ever been put into effect. I want to tell you that I enjoyed your testimony here tonight.

Mr. Vorys will proceed under the 5-minute rule.

Mr. VORYS. Mr. Streit, your statement is a devastating criticism of what we are doing now, and I know we are all looking for a chance to do something better. I was particularly struck with your statement on page 7, about saving of "\$25 billion the first year," through your plan.

The Atlantic Union countries have a gross national production of \$102 billion as opposed to our \$330 billion, we are proposing to spend \$66 billion on armament, including what we are spending for over there. And of course their taxes will average fairly high, not as high as ours, but they produce no such sum.

Nelson Rockefeller pointed out, for instance, that our proposed expenditures for defense were more than the gross national production of Britain.

I wondered if you would sketch out how we would save this \$25 billion the first year.

Mr. STREIT. That was the statement made to me, as I said, by a very eminent man. It was the last thing he said as we were at the door; I do not know what his reasons are. I am sorry I cannot identify him. But his position was such that I gave it the weight that I did there.

There are a number of ways in which it is obvious, it seems to me, that we could save considerably by establishing a common union, a common defense force. We would save increasingly in the way of standardization. You cannot standardize, of course, overnight.

None of these things can be done overnight, but we can get ourselves started at it at this critical time when we are starting to organize an army in the Atlantic. We can either organize it as we are now, in a mold, that is of each nation, as the United States News reports we are actually doing in the very excellent article I cited and would recommend to everyone: "Twelve Bosses Mess Up Eisenhower's Job," it is entitled. Each of these nations is now arming on its own basis. There is little we can do on standardization, while things crystallize on the national basis.

By starting in on the other, the union basis, we can begin really to save by standardizing. The sooner we move over to a union defense force, the sooner we begin, moreover, saving by avoiding duplication of all sorts of weapons, and the sooner we save through our being certain—and each country in the union being certain—that we can count on the rest.

I think that one of the most costly factors at the present time in armament, is the fact that each nation retains the right to interpret the alliance as it sees fit. Each one knowing what happens in those circumstances, having seen in history what has happened to alliances, they must keep a pretty large margin for safety, for the sad event in which some ally interprets the treaty to suit itself, or that some ally decides for one or another reason not to carry it out at the showdown.

For example, take the case, that some ally decides we cannot use its bases. For that case we would have to have a big aircraft carrier and other things of that kind in reserve, and it seems we have decided to build that big aircraft carrier. That sort of expense could be cut down by units. It would be unnecessary. There are many other ways than that, but I would put as most important that we would have an increasing certainty that we would be together.

Now, there is the incidence of the military expense which depends, of course, on the national income or national product, whichever way you want to put it. This union would increase this enormously, it seems to me—and that is the view of Will Clayton and others who are more of an authority on that than I am. It would increase the national production of these union countries as a whole just as the establishment of our own Union has enormously increased production in our 48 States and made it possible for us to have a far greater income than all the countries over in Europe put together. Increasing their production would increase production over on our side as well. The whole level would be raised and the amount we are spending on defense would be a smaller proportion of the total income of the Atlantic democracies than now, which would be another great saving.

Mr. VORYS. We have been through figures a great many times in executive session. Certainly I cannot reveal them, but I mentioned some that we could. There is nothing in the testimony that we have had in this field of economic and military aid, and some of us have been comparing it to what we have been spending, that would come anywhere near that figure of a possible \$25 billion saving. There is no increase that we have had brought before us for Europe that would come anywhere near creating a tax base that would cover that. So I wondered if you had some information that we did not have.

Mr. STREET. Well, I have no official information that you do not have. I was quoting a statement of one who I can assure you I believe is in a position to know. Until the administration is ready

and until the Congress is ready to pursue a union plan, I would not expect that while they have to build up defense on this other system of alliance—I would not expect the proponents of that alliance system to come before you with the figures of what might be saved by a union until they are ready to take that step.

Chairman RICHARDS. The gentleman's time has expired.

Mr. Gordon.

Mr. GORDON. Mr. Streit, I certainly listened attentively to your statement, and it was very interesting to me. I believe it is a great contribution to the bill we are working on.

I have no questions at this time.

Chairman RICHARDS. Mr. Javits.

Mr. JAVITS. Mr. Streit, I too am deeply interested in your statement. I was interested in some of your ideas, such as the idea of a federation on a world basis and the idea of a veto in the United Nations.

I would like to know from you whether you think if we did this now under the forced draft of defense anxiety, if it would not similarly produce a federation or a union on the part of the Communists and that they would react by uniting China and all the vast territories with the 800,000,000 people that they have their hands on right now?

Mr. STREIT. I do not see how they can unite any closer than they are already, for all practical purposes.

Mr. JAVITS. Do you feel that we would, by making an all-white union, as it were, be excluding ourselves from an opportunity to go further and bring in colored people and underdeveloped people, and that we would be sort of debarring them out of a club if we went ahead under this forced draft with this proposition now?

Mr. STREIT. It does not seem to me, Mr. Javits, there would be any such danger now; not any more than we have under the present alliance. We are concerned here with the same group of countries that are in the Atlantic Pact. What I was proposing is we couple up the appropriations for mutual security in that area with an exploration of the possibility of changing the Atlantic political set-up, of backing up General Eisenhower with an effective federal democratic government in that area. It is the same group of countries either way you shape it.

It would not seem to me we would incur any greater danger. I would think we would lessen the present danger considerably because we would certainly make a considerable saving and get more defense at less cost, and then we would be in a better position to carry out a point 4 program with these undeveloped countries.

I think it is highly essential that we should do that.

Mr. JAVITS. I must say I rather go along with my colleague, Mr. Vorys. I think it is a little hard to see where we would get much more defense at less cost unless it is your theory that the Atlantic Pact countries do not trust the Atlantic Pact declaration that we will defend them to the last breath, as we expect they will defend us. Do you think they will trust us more if we had a union and that then maybe they will have more will to fight and throw more resources of morale into a fight, that is one thing. Other than that I feel very strongly about the Atlantic Union—I rather think most of us do—as a step very much in the right direction, but it does seem to me it is claiming a little too much for it to assume that it will have the enormous impact, except—and that is what I would like to hear you on

very much—except on the basis of what is in men's hearts, which is perhaps far more important than the guns, and money, and the pacts. That is what I hoped you would give us a word on.

Mr. STREIT. I tried to stress that in my third point, that all the money we spent and all the arms we give to other countries would be worse than useless if we had not tied them to us tightly politically and militarily. We cannot do it politically except on the moral side, too. As long as we retain the alliance basis, we retain a basis whereby we as well as they can step out at any time. We need only read the history of all these alliances to see what happens.

If any of you can cite to me any alliance in our lifetime, or before that, an alliance, that is, a peacetime alliance, that served the purpose of preventing a world war, or even winning it, I would like to hear of it. If you do not find in history many cases where allies interpreted their solemn agreements to suit themselves when it came to a show-down, I would be very much surprised.

Consequently, it would seem to me an extremely dangerous policy for us, or for any other democracy, to rely implicitly on an alliance between sovereign governments.

Mr. JAVITS. I think my time is up, Mr. Chairman.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. Mr. Streit, I listened with a lot of interest to your very challenging statement. I feel that this committee should give consideration to the Atlantic Union resolution.

Mr. STREIT. Thank you.

Mr. CARNAHAN. I just have this one question. Do you feel that the adoption of the Atlantic Union resolution by the Congress would carry no greater commitment than mere exploration?

Mr. STREIT. I certainly do. I think that is the only commitment involved there.

I have been advocating this, as the chairman was good enough to say, for a number of years, but I would certainly reserve my own right to oppose the results of this convention if I did not think it was the best result. My own thought is the convention result would probably be too weak. It may well be too weak to suit my judgment as to what is necessary at the time it is made.

I would retain the right to reject such a result. Since I would want to retain that right, I would want everyone else to, and so I stress that this is an exploration to see what we can agree on. The result, how far it would go, or how strong it would be, or how weak it would be, is something none of us can foresee at the present time, nor the conditions obtaining in the world at the time when the convention meets.

My own guess is, we are going to face still worse surprises in the future, than we have had, and that in those circumstances it will be highly prudent that we have somebody exploring this union.

If I am wrong, and if the Atlantic Council can turn out to work better than I said it was working—or if the world situation improves—well, then this convention is then going to move very slowly, I would expect. It seems to me all that one can prudently and reasonably do at the present time is to decide to explore what we can work out on our Federal basis with these countries and not anything beyond that.

Mr. JAVITS. Have I time for one more question, Mr. Chairman?

Chairman RICHARDS. Yes, you have.

Mr. JAVITS. What would be the relationship of such a union to the United Nations?

Mr. STREIT. Once made, the relation of that federation to the United Nations would be, broadly speaking, either that of our own federation, the United States of America, to the United Nations, or that of the Canadian federation to the United Nations. That is, the Union would be a member there, I would assume.

Mr. JAVITS. That is all, Mr. Chairman.

Chairman RICHARDS. Would it be just another regional arrangement under the authority of the United Nations?

Mr. STREIT. It would not be under the authority of the United Nations in any way, Mr. Chairman.

Chairman RICHARDS. If it was what you wanted, it would be within the United Nations.

Mr. STREIT. Oh, very decidedly. I believe we should uphold the United Nations. I believe it is the best way of obtaining universal coordination at the present time. We must have some universal organization.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Streit, you made a very eloquent statement here and one very apropos of the resolution a good many of us have been supporting to carry out the exploration you want. But, as you visualize that exploration you do not necessarily see a complete federation in all respects as being the immediate outcome, do you? There may be intermediate steps where bit by bit a nation would be willing to give up a part of its sovereignty to a monetary union or some form of united command that actually has authority to function, because certainly the one you are speaking of does not have the authority to do so at the present time.

Am I correct in my assumption? It does not necessarily mean you have to go whole hog at once in an exploratory process?

Mr. STREIT. Exactly. I think it would be absolutely necessary that there be certain transition measures in the field of defense, economics, monetary, or whatever you will. These things we can make the decision to federate in a convention. We can federate some of them afterward, but whatever we decide, it is going to take a considerable time to carry the decisions out. That is also true the measures you take in establishing an Atlantic Army or an Atlantic Pact are concerned. Implementing them, that takes time.

I would quite agree we cannot do these things overnight. All we can do overnight or quickly is to make decisions: The only thing, it seems to me, that would have an immediate effect on the world situation, is on the psychological side by the line of the policy that we develop in this of deciding how far we can go in exploring. The very phrase "how far we can go" in the Atlantic Union resolution indicates we may well not be able to go all the way in the very beginning.

I would add, however, in my serious judgment, we had better aim at going all the way to a union on the defense, foreign policy, economic and monetary side.

If our real purpose is to prevent a world war and do it within the foreseeable future we had better make our mistakes on the side of being too strong, for once, in democratic history, rather than repeat

the errors of the British and the French, and our own errors in the past, of doing too little too late.

I would not expect, however, that view of mine to triumph in the convention, except if there were some very serious disasters occurring.

Chairman RICHARDS. The time of the gentleman expired.

Mr. HERTER. Thank you.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. No questions, Mr. Chairman.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. It is not quite clear to me, Mr. Streit, whether you have in mind a military alliance or union, or ultimately, when carried to the conclusion which you visualize, that this would become an integrated government of which each of the present nations would be one component part?

Mr. STREIT. I would aim—what I mean, Mr. Reece, by a federal union, is the system we have, broadly speaking, in the United States, or in Switzerland, where you have government provided with a central government, as the Government here, and the State governments; both elected by the people, but with their jurisdiction divided, and one operating in this field and the other operating in the other fields.

Mr. REECE. Here we have our Federal Constitution and each State is, in its basic mold, subordinate to the Federal Constitution. While the Federal Constitution, as it was drafted, outlines certain areas of interest that belong solely to the State, still no State constitution can contravene the Federal Constitution. So that the Federal sovereignty becomes the supreme sovereignty of the land.

In this North Atlantic Union of which you speak, is it to be sovereign?

Mr. STREIT. In the fields which would be transferred to it from each of the national governments it would be sovereign, just as they would remain sovereign in the fields left to them.

It seems to me, Mr. Reece, that the important thing there is not so much the sovereignty of the state but the sovereignty of the citizen. When our forefathers made our Constitution they did not lose any of their sovereignty in doing this, but simply shifted the certain powers from the legislature in Richmond, or Virginia, and Pennsylvania, North Carolina, and New York, to our present Federal Government, but they continued to choose the Representatives, and continued to have the same voting power in electing gentlemen to Congress as they did to the legislature.

Mr. REECE. I would like to observe as a result of the statement you made earlier here that our high standard of living and our great productive capacity, our great system of enterprise of free labor and free management, I think is based on the principle of government which was established by our forefathers of preserving liberty and individual opportunity, as a result of which every man can become as prosperous as his ability, initiative, and determination might permit.

Mr. STREIT. I agree with you completely.

Mr. REECE. This is the only government so far where that principle is completely preserved, whereby the government is completely subservient to the people and not the people to the government, and that is the one thing I would hate to risk.

Mr. STREIT. I would hate to risk it too, very much. I fear by following the old European system of alliances and that sort of inter-

state agreement we are endangering it very much indeed. I might add, there are certain other peoples, for example, Switzerland, where I lived for 10 years as a newspaperman, and I would say the Government of Switzerland is very much subservient to the people.

I am glad that you stressed that point in our own Constitution here, because I think the important thing in all our calculations is to keep that sovereignty of the citizens supreme. If an exploration survey of this Atlantic Union should result in any proposition that would be sacrificing the basic principle of the sovereignty of the citizen, I would certainly be against any union on that basis.

I do not anticipate any such result at all. I anticipate through this exploration the extension of this system that you spoke of, across the Atlantic.

Chairman RICHARDS. The time of the gentleman has expired.

Mr. REECE. Thank you.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Mr. Streit, I appreciate your statement tonight. We have had interesting talks on this subject before. I think certainly we should not close our minds to the concepts that you have outlined here, but rather should explore them. I take some exception to some of your statements, but just on the basis that I think they are a little bit extreme. For instance, the statement about the Atlantic Council not being able to settle such a small question as apportionment among its members of the expense of General Eisenhower's staff. If I understand it correctly, the members from each country on General Eisenhower's staff are paid by their respective countries. In any case I think they can settle such questions as that without any difficulty; but whether or not they can do the big job they are supposed to do is a different question.

As was indicated a while ago, it would take some time for even the Atlantic Union to get into full-scale operation. That is a little bit inconsistent with the suggestion that this Union could save \$25,000,000,000 the first year. I cannot quite see how the Atlantic Union would cure all these economic evils of Europe, such as raising their standard of living, and so forth, so quickly, or so much better than is being done at the present time under the present conditions. However, even so, I still think your basic concept is worthy of exploration by our committee.

I would like to ask you, how this constitutional convention would work, and where it would meet; who would go to it, and how would the members be selected; who would take the leadership, and what would be on the agenda; and what would be the real objective of such a convention?

Mr. STREIT. That is quite a series of questions, Mr. Battle.

Chairman RICHARDS. Those questions can extend his period for an hour and a half.

Mr. BATTLE. Anyway, I got my questions asked in the 5 minutes allotted to me.

Mr. STREIT. Before that, Mr. Chairman, there are a number of things I would like to clarify. On the statement I made about the apportionment of expenses it was a quotation from a person who I said was in a position to know. I took his word for it. It is borne out, incidentally—

Mr. BATTLE. I had better question him instead of you, then.

Mr. STREIT. But that is another thing. As for the standard of living in these countries and the savings on armaments, on defense, and so forth, I did not think I meant, and I certainly would not mean, that that is for next year, or anything like that. It is in the first year we really got the union under way. That, just as the establishment of an army, or any action, takes time, but it is one thing whether we are facing a period of 20 or 30 years and going, as we have been doing in the last 5 years, deeper, deeper, and deeper into expense, or whether we are going into one that is giving us more defensive power at a decreasing cost. That is the point I would think is before us, and not the exact figures here or there.

Now, as to the convention. The details as to the convention are not put into the resolution. It has been left either for the committee here or the Executive to work out its details. I have my own personal ideas on how that should be done. If you wish me to go into them at this time, I would be very glad to.

Mr. BATTLE. I doubt if we have time in 5 minutes.

Mr. BURLESON. I shall be glad to yield my time to Mr. Battle.

Chairman RICHARDS. If you wish, Mr. Streit, and I am sure the committee would give you unanimous consent to do that, you could put a statement in the record to add to your oral statement about that. That might be worth while.

Mr. STREIT. I would be very glad to, Mr. Chairman.

Chairman RICHARDS. Without objection, that will be done.

(Mr. Streit subsequently decided to postpone submission of the statement referred to until committee consideration of the Atlantic Union Resolutions.)

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. I will yield my time to Mr. Battle if he wants more time.

Mr. BATTLE. Thank you. I believe that statement will take care of it. We are going to have subcommittee hearings on this anyway.

Mr. BURLESON. I have no questions.

Chairman RICHARDS. You liken this superunion to the United States, Mr. Streit, and the Federal Union and the States. I hope it will not develop like ours has, where a State, even the great State of Texas, with all those longhorn cows, is not even a knot on the log in this Federal Union we have now. There are not many States' rights left. Is your Atlantic Union going to eat up the rights of the United States like the Federal Union is eating up the rights of the States?

Mr. STREIT. Mr. Chairman, I think that this union is going to fortify States' rights, because when you establish these Federal agreements across the Atlantic with the French, the British, the Dutch, and the Belgians, you have got some groups there that are going to be very tenacious about holding on to their French and Dutch language and their local customs of one kind or another. They are going to be just as anxious as your State, if not more anxious, to prevent being dominated by ourselves or anybody else.

I think it is going to give new life, really, to the States' rights doctrine, and it will tend to restore the balance that we began with in our country--this principle of balance between the rights of the Federal Government and the rights of the States.

Chairman RICHARDS. I wish you would talk to these Yankees some more.

Mr. STREIT. Give me a chance, Mr. Chairman, and I will do it.

Mr. BURLESON. I want to say Texas has difficulty in keeping the other 47 States in line.

Mr. BATTLE. Since the answer is going to be extended, may I ask him another question along that line, Mr. Chairman?

Chairman RICHARDS. Yes.

Mr. BATTLE. Do you envision an international judicial system and police force, and an international legislature; and, if you envision an international legislature, does that mean we are going to have municipal, county, State, national, and international taxes?

Mr. STREIT. I would think that this convention would certainly have to explore that, and in my view it certainly would come out with a proposal that whatever power is established in the Atlantic Federal Government, it would have the right to tax also. I do not expect that to be popular with many people, but I think it would be a great deal more popular than the future we face at the present time of a greater and greater load of taxes.

Personally, I would rather fill out one more income tax form, or pay taxes to some other authority, if the total amount I was paying in taxes to all government was cut down, and if at the same time I felt more secure for the system of freedom that we have here. If I felt that our freedom was secure against invasion and against war and all that sort of thing, I think we would be glad to pay a little bit more in taxes, in order to have a little security in that field.

What we are now getting in this regard—I can give you a very vivid example of it from a thing I saw today. I was up in New York State and spoke at Colgate University this morning. I drove over from Syracuse. Along the road there was a great billboard, and it said, "This road will be closed to traffic in case of atomic attack. It will be reserved for the military."

Well, a policy that we are pursuing in which we are spending billions and billions more, taxing each citizen more and more each year, and the net result after winning the Second World War is that we have these posters up on our highways, is a very bankrupt policy, I would say.

Mr. REECE. May I say something? I have one question, sir. I hope I am not being too burdensome, but when was the Atlantic Union formed?

Mr. STREIT. In March of 1949, I believe, the forming of the Atlantic Union Committee was announced.

Mr. REECE. Were you associated previously with a predecessor committee of the same general purpose, and if so, what was it called?

Mr. STREIT. I have been associated since 1940 with the organization called Federal Union, Inc.

Mr. REECE. What is the purpose of that?

Mr. STREIT. Its purpose is to educate the public in the principles of the United States Constitution with a view to applying them between democratic nations to secure peace.

Mr. REECE. Did that look forward to having a Federal union of the world at some time?

Mr. STREIT. Eventually, at long last; yes. We would begin by applying these principles where we could, and as time went on, just as the 13 States grew into 48, the nucleus could grow into a universal government.

Mr. REECE. It occurred to me to ask why you diverted from the objective of the Federal union of the world to the concept of an Atlantic union?

Mr. STREIT. I would not say I had. The object I took in my book *Union Now* was to preserve freedom, and to do that it would seem to me eventually we must have a free world government on the lines of the United States' Federal system. I never believed, and I never maintained there, that we could do that right away. I said, then as now, we must begin by federating the Atlantic democracies, so I do not consider I have been diverted at all.

This is what I have been urging for many years.

Mr. REECE. So this is to be one step toward the world union, then?

Mr. STREIT. I would hope that eventually it would lead to a world union. I do not know how far ahead. It would seem to me every patriotic American should look forward to the time in the distant future in which we had all the world so organized as the United States is for we then would have a peaceful world. We would have, too, a world with a high standard of living all around. But, as I say, it takes a long time to accomplish.

It would seem to me it would be a goal that we should look forward to reaching, and that we would view with great pride the day when the principles our forefathers established here, that you were speaking of earlier, should thus be established throughout the world, be adopted by every people on earth, and followed. What greater tribute could we have to our system of government?

Mr. REECE. Then in an Atlantic union, or world union, when it was finally perfected in line with your ultimate thinking, we would just be one member of the union, on a par with each of the other members?

Mr. STREIT. We would be as Tennessee is now in the United States, a member of the Union; yes.

Mr. REECE. There are some other thoughts that occurred to me in connection with this whole problem, but we will not have time now to go into that.

Mr. STREIT. I would like to add there that the resolution I was urging you to couple to or follow up in the security bill is one that is to explore how far we can go in that direction—that is, in the direction our forefathers took when they established our own Constitution. How far can we go in achieving a more perfect union? How far can we go at the present time? How far we can go no man can say.

Mr. REECE. But at that time the representatives from the Thirteen Colonies were together agreeing upon a course of action. To what extent have other nations of the proposed North Atlantic Union been taking the initiative in formulating such a plan? Is a similar resolution being considered by the parliaments of the other countries in the North Atlantic?

Mr. STREIT. A similar resolution has already been adopted by the Senate in Canada, with only one dissenting vote. That was last year. I think a motion along similar lines was introduced in the House of Commons some time ago. I am not quite certain of the time, but I believe that to be the truth. I think such moves are under consideration in some other governments there, but have not been taken.

Mr. HERTER. Will the gentleman yield?

Mr. REECE. I yield to Mr. Herter.

Mr. HERTER. We can always reserve the right to divide ourselves into 48 separate States, just as the State of Texas has reserved the right to divide itself into five States at any moment.

Mr. STREIT. Right. They have not used that right, though.

Mr. HERTER. They have not exercised that right, but they can still hold it over everybody's head.

Chairman RICHARDS. What right was that, Mr. Herter, that they are reserving?

Mr. HERTER. I was talking about the State of Texas.

Chairman RICHARDS. The gentleman from Texas sent me a note, asking if they could reserve their tideland rights in Texas if we should be under a world government?

Mr. STREIT. I think when he gets out into that tide, he is getting over my head.

Mr. VORYS. Mr. Chairman.

Chairman RICHARDS. Yes, Mr. Vorys.

Mr. VORYS. There has been a suggestion that our speaker have leave to file answers to questions. I would like to suggest this: Mr. Streit in his dozen or more years of thinking and speaking on this ought to know more about it than anybody in the world. Every so often when I get to hear him and his presentation, as this evening, it contains a devastating criticism of what is going on now, but a rather amorphous statement of what might follow. I frankly think that that \$25,000,000,000 savings the first year is a bunch of bunk.

If that is all you have got to back it up, that is not an argument for it.

However, I thought it would be helpful if he would receive permission to file a proposed outline or summary of the constitutional provisions that he would suggest as the goal of the exploration of Atlantic Union if we would explore it. I might say that we have around the table here illustrative programs under this \$8,500,000,000 bill. Our Government is reluctant to make a statement of what they are going to do in a particular country for fear it will be considered as a commitment by our Government, but they provide us with what they call illustrative programs.

I feel confident that you would not expect to prophesy what will happen, nor would you prophesy for sure what should happen, but it would be helpful in these hearings if those who searched through them could find something a little more constructive and concrete as to where the exploration might end up an "illustrative program." It would answer some of the criticisms that have been made here.

It would certainly provide food for thought, and I would suggest if the committee is willing, that Mr. Streit be permitted to file such a statement.

Mr. STREIT. I am not quite clear as to just what points you wanted covered, Mr. Vorys.

Chairman RICHARDS. Do you know Mr. Vorys pretty well?

Mr. STREIT. Yes, I do.

Chairman RICHARDS. Well, he is one of these men who loves to tear things apart and see what makes them tick, you know. That is the reason why he wants you to put it in the record, and if you could it would help us a good deal.

Mr. VORYS. I would think that Mr. Streit, after a dozen years, would have back in his office, or maybe up his sleeve here, the ideal

plan and say, "Well, if you want to know what I think it ought to be, here you are."

Mr. STREIT. You mean as regards Atlantic Union, Mr. Vorys?

Mr. VORYS. Yes.

Chairman RICHARDS. I thought your main trouble was to find out where the \$25,000,000,000 went.

Mr. STREIT. I would be glad to develop that point too, because that was not my statement. I was quoting a man whose judgment I would have a great deal of faith in. I do not know how he got it. I think it does deserve weight.

Mr. VORYS. I have seen some remarks which you made, and others made, on what the representation formula, tax formula, and reservation of rights should be, and I think it would help if we could have such an outline of the whole thing and what it would be, on a couple of pages.

Mr. BATTLE. Mr. Chairman, I understand we have a subcommittee that is going to delve into the question of the Atlantic Union.

Chairman RICHARDS. That is right. We are going to hear Mr. Streit a little later. I think we should hear from the other witnesses now.

Mr. STREIT. I would be glad to do it either way. As I said, we were hoping you would bring this Atlantic Union resolution up for hearings after you finished the present hearing and we can go into these questions then.

Mr. REECE. Seriously for the moment, if I may make one reference to something which I do not much like to see go in the record without some cognizance being taken of it. That is the statement that was made with reference to the United States buying time with other men's guts. I do not think we ever bought it with anybody else's lives. I do not care for an explanation, but that is a statement which I hardly think is proper to go in a record of a hearing of a Congressional committee of the United States of America.

Chairman RICHARDS. What do you think of that, Mr. Streit?

Mr. STREIT. I think we are buying time in Korea with the lives of other men.

Mr. BATTLE. Our own men too.

Mr. STREIT. I mean our own men, of course.

Mr. REECE. You did not say our own. You said "other men's lives."

Mr. STREIT. I see your point. I did not mean other nations', or anything like that. I meant we here in Washington.

Mr. REECE. I resent that very deeply, personally and officially. There has never been a time when I bought time, or anything else, with somebody else's guts.

Mr. STREIT. I was not—

Mr. REECE. And I do not think there is a Member of Congress who has done so. I believe that is a reflection on the Congress of the United States.

Mr. STREIT. I was not certainly aiming to reflect on you personally, or any member individually.

Mr. REECE. It certainly does, to say a Member is buying time with other men's guts.

Mr. STREIT. When I said that I was referring to us here in the United States. It seems while we are buying time there are people

who are losing their lives, and Americans are losing their lives, while we are trying to find a way to prevent a war.

Mr. REECE. I did not get that impression. It did not strike me as being very appropriate.

Mr. STREIT. When I said "We", Mr. Reece, I am part of that "we" certainly as much as anybody here. I do not think that is a reflection on anybody.

Mr. REECE. But your explanation made it worse.

Mr. STREIT. Well, I did not intend it to. It does not seem to me to be in that sense. The point is, what are we doing with the time we buy, however we buy it.

Chairman RICHARDS. I suggest you look that over.

Mr. Streit, we thank you very much for coming. I was about to adjourn the committee, but I find we have one more witness.

Mr. STREIT. Thank you very much, sir.

Chairman RICHARDS. The next witness is Mr. L. F. Hankins, Jr., representative of the National Student Young Men's and Young Women's Christian Association.

Mr. Hankins, are you here tonight as an official of this organization, or just a representative?

STATEMENT OF L. F. HANKINS, JR., NATIONAL STUDENT YMCA AND YWCA

Mr. HANKINS. I am a representative for this particular meeting.

Chairman RICHARDS. For this particular meeting?

Mr. HANKINS. Yes.

Chairman RICHARDS. You have a prepared statement you wish to make?

Mr. HANKINS. Yes, sir.

Chairman RICHARDS. Will you proceed, sir?

Mr. HANKINS. Gentlemen, I appear before you on behalf of the National Student YM and YWCA's to express our interest in and support of the point 4 program of technical assistance to underdeveloped areas and the appropriations to make this undertaking effective.

I might state for clarity here I am not authorized even to be illustrative as to the military and the ECA sections of this particular bill.

My authorization stems from our National Assembly held this year at Miami University in Oxford, Ohio, at which 1,100 delegates from 43 States and observers from 25 foreign countries came together to discuss the problems and future progress of the "Y." In addition to deciding our program emphasis for our own personal development as Christians, we discussed our participation both as individuals and an organization in higher education, the church, and our Nation and the world. In this latter connection we passed a number of hotly debated resolutions about the policies we felt this Nation should follow. The delegates of the some 750 colleges and universities that make up our movement were, however, very united in their endorsement of the point 4 program as a positive step toward peace and as a clear embodiment of Christian principles in national foreign policy.

Despite our lack of accord on such issues as our policy toward China, where the Christian point of view is certainly as elusive as any other, it is not at all surprising that we could unite in support of the

program for aid to underprivileged people no matter where they were in the world. Certainly as long ago as the pronouncement, "Inasmuch as ye have done it unto one of the least of these My brethren, ye have done it unto Me," the concern for those less fortunate than ourselves has been a fundamental part of Christianity. In this spirit Christians sent missionaries throughout the world to relieve suffering as well as to preach the Gospel.

There has been and will continue to be much done along the lines of technical assistance by Christians working through private channels, but it is highly gratifying to watch the development of such a constructive program by our Government too. We have come to realize that the needs of the modern war-torn world are so great that they can only be met by the government of free nations working together.

One of the great values of the point 4 program is that it gives us the opportunity to work together; to work with and not only for others. As the necessity of accepting alms has often tended to destroy the self-respect of those receiving them, the need of one nation to accept constantly the bounty of another has in many ways jeopardized the progress of international affairs. The provision of a portion of our great store of technical knowledge and material possessions in such a way that we and other peoples can work together to create a better world can hardly fail to be conducive to creating a peaceful world.

Peace as much as charity is a fundamental concern of Christians. Considering the forces at work in the world today it is definitely not likely to become peaceful so long as two-thirds of its people go hungry most of the time.

To establish lasting peace the economic as well as the political causes of unrest must be settled. While we recognize the need for military preparations in the present emergency, we feel this same emergency makes it even more imperative that we undertake a long-range program of assistance to build up the economic well-being of all peoples.

We deplore the current tendency to link and coordinate our defense and assistance efforts to the extent that we tend to help those who promise to help us in event of conflict. My generation will carry its part of the burden of protecting the free world, but we want to begin constructive programs apart from military defenses that will tend to build an even safer world in the future. We feel that it is only on a foundation of continuing progress toward more abundant living for all people everywhere that we can hope for some sort of lasting security.

The point 4 program as it has been set up has a good framework and in the isolated cases in which such assistance, both technical and financial, has been applied the ability to make great progress has been clearly demonstrated. However, when he announced it as the fourth point in his inaugural address, President Truman proclaimed a "bold new program" to eliminate suffering and shortages throughout the world. As the program has been established by Congress, it appears that instead of being bold and new, it may become the familiar "too little and too late" and possibly extended in the wrong manner as an additional note of woe, and I think now it may be trite in this committee.

The sum total of the world's sufferings is, of course, enormous and not to be expected to disappear in the face of even an all-out effort.

on our part in the immediate future. Because these problems are so enormous it is necessary that we undertake large-scale efforts if we are hopeful of making progress in solving them. Soon after the announcement of the point 4 program the Brookings Institution in an undefined manner estimated that it would take an expenditure of \$35,000,000,000 to make real progress toward developing the backward nations. On a rather small allotment the United Nations Food and Agriculture Organization undertook a survey of the world's food needs as one of their first projects in the UN technical assistance program, and produced the more concrete figure of \$4.4 billion as the amount necessary to supply minimum food needs throughout the world through technical and financial development.

The May 14 edition of the New York Times carried an estimate made by three UN economists that an investment of \$3,000,000,000 in technical assistance would facilitate an additional private investment of some \$19,000,000,000, and that this would make a sizable impression on the world's problems.

Mr. Paul Hoffman, in his book, *Peace Can Be Won*, estimated that some \$2,000,000,000 would be necessary for point 4 and Marshall plan projects apparently without foreseeing much new development. It seemed to me as I read it this was mostly for the projects now in being. We could not foresee any great expansion under the outline he gave in his book. From these we can at least begin to see the scope of what we undertake.

Last year our expenditure on the point 4 program was \$34.5 million. Of this \$12,007,500 went to make up our part of the UN program, another \$7.6 million went into current projects of the Institute of Inter-American Affairs, and a half million to the Department of Commerce for the development of private investment. Thus, after salaries we provided \$14.5 million to initiate our bold, new program and the UN spent about \$20,000,000 in a similar fashion on the same problem.

Altogether there was approximately around \$250,000,000 or \$300,000,000 spent in what we call the undeveloped areas, if you include in it ECA projects which went to places like Burma or, through Britain, to places like Africa.

There are already some 278 specific requests for aid before the UN, so it is not necessary to look around for a place to begin.

Soon after we began our point 4 operations, Assistant Secretary of State Thorpe explained what we hoped to accomplish in the UN. He made it plain, as we in the Y hope will always be true, that in keeping with the first of President Truman's four points we expected to extend such aid in complete accord with UN policies. His description of our proposed program elicited two interesting comments—that of the Indian delegate, Sir Benegal Rau, that the aid would be preferably extended through international agencies; and that of Dr. Charles Malik of Lebanon—not to be confused with Russia's Mr. Malik—that the program should be on a long-range basis seeking to fulfill specific goals if it was to be most successful.

Both of these points of view seem to us to be sound; it is necessary that we work through the United Nations and toward the realization of certain limited projects to achieve optimum effect.

Most recent developments in our program have seemed to be to implement a policy of pressure rather than one previously prepared.

For example, in the report of the National Advisory Board on International Development under Mr. Nelson Rockefeller which was established along with the point 4 program a year ago, it seemed to me that there was considerable stress on how much technical assistance would help our mobilization efforts. One chapter heading was "Let the left hand know," which I believe is taken from that section of the Sermon on the Mount in which Jesus said that when we gave alms we should "let not the left hand know what the right hand doeth" when we are giving alms.

President Roosevelt, speaking on the eve of the Second World War, said that our Nation had a "rendezvous with destiny." Gentlemen, your generation, with a lot of help from mine, has kept that rendezvous. Now, if one would pay heed to countless commencement speeches and similar observations, what was a rendezvous has turned into a lifetime affair for my generation.

We realize the vast problems we face, and the unlikelihood of the immediate establishment of lasting peace. We feel, though, that it is vitally important that we begin to work not just to contain communism, but to build up the constructive forces which ultimately are our only avenue to any kind of security. We realize the vast pressure on you gentlemen to cope with just the immediate needs but we feel that we are not expecting too much in asking that you make a substantial effort to build in partnership on an equal basis with other peaceful nations a sounder, safer world, and that this be apart from our current defense projects.

Chairman RICHARDS. Thank you, Mr. Hankins. We appreciate your coming before us tonight and letting us have the viewpoint of your organization. You are a very forceful reminder to us that there are other forces in this world far more powerful and greater than guns and bullets, if we would just use them.

Are there any questions?

Mr. HERTER. May I make just one comment?

There was one rather pessimistic note in here on page 2, when you say,

As the program has been established by Congress, it appears that instead of being bold and new it may become the familiar "too little and too late" and possibly extended in the wrong manner as an additional note of woe.

I think you might be interested to know in a recent part of our hearings Mr. Foster of the ECA, when questioned in respect to problems of developing programs in southeast Asia, was asked the question, "Is your problem one of money or one of personnel," and without hesitation he said it was a question of personnel.

We just do not have enough trained human beings in this country to develop the programs as rapidly as I know many impatient men want. Many people think that, if you throw money in quickly somewhere, a lot can be done.

Mr. HANKINS. I evidently failed to make myself as clear as I might, because I was not speaking in terms of haste. I know this type of program can be developed very frequently slowly better than it can by throwing out too much money too fast.

We feel a substantial amount, something perhaps in the nature of \$500,000,000, would begin this program in a way so that it would slowly build up to something that would begin to end some of these

shortages. However, here we were speaking of an additional note of woe of the tendency to make it become linked with our defense efforts, and as something that we as a single nation undertake by ourselves, rather than working through the United Nations as much as is possible.

Chairman RICHARDS. Are there any other questions?

Mr. VORYS. Mr. Hankins, you said, "Your generation, with a lot of help from mine, has kept that rendezvous."

What we did on point 4 the past year, based on our present budget and fiscal situation, was not done at all by our generation. Your generation is going to have to pay for it when you get around to paying the national debt.

Mr. HANKINS. We are aware of that, Mr. Vorys.

Chairman RICHARDS. Anyway, you are putting us in another generation. Is that right?

Mr. HANKINS. Now, I would not stress it too much. We can meet on common southern ground.

Chairman RICHARDS. Thank you very much.

The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 9:20 p. m., the committee adjourned until 10 a. m. the following day, Wednesday, July 25, 1951.)

(The following was submitted for the record:)

AMERICAN CHRISTIAN PALESTINE COMMITTEE,
New York, N. Y., July 24, 1951.

HON. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D. C.

DEAR CONGRESSMAN RICHARDS: You have been kind enough to inform us that, in lieu of oral testimony, your committee would accept a written statement from us, as spokesmen for the 20,000 members of the American Christian Palestine Committee, regarding the Mutual Security Program now under consideration by your committee. We wish, therefore, to place on record here the views of our committee with regard to title 2—the provisions relating to economic assistance to the Near East and Africa.

The emergence of the State of Israel in the Middle East has evoked our deep sympathy and support. For the return of the long-dispersed Jews to their ancient promised land is a manifestation of the divine purpose working through human history. Moreover, in the terms of our own time and its problems, the rebirth of Israel has a profound significance: It brings to a dormant region of the earth the best in the democratic tradition of the west.

In an area still struggling to free itself from the vestiges of feudalism and tyranny, the new Israel is being built on a basis that is sound from the social, economic, and ethical points of view. It is mature enough in its political understanding to be free from the irrational xenophobia that is one of the underlying causes of unrest from Iran to Egypt. It is, we are convinced, a natural ally of the free nations to whose security in the threatened Middle East it can contribute in no small measure by means of its uniquely high standard of technological skill and its trained and hardened youth.

American aid to Israel seems to us thoroughly consistent with the tenor of our entire foreign-assistance program in recent years. Israel is a young and promising democracy: It needs and deserves our help and will richly recompense us. But our help is needed with special urgency, because of the vast, humanitarian task Israel has taken upon itself in absorbing hundreds of thousands of Jewish refugees from Europe and the Middle East. Even a well-established economy could not easily withstand the impact of this sudden expansion. Israel, for all its present difficulties, has in the past proved its ability to make swift economic adjustments. We believe, therefore, that it is imperative that Israel be included in the Mutual Security Program and that the sum finally assigned to it be fully commensurate with its great needs and great potentialities. We append herewith a letter sponsored by our committee and widely published in the press throughout the country,

in support of the McCormack-Martin and Douglas-Taft bills to authorize a \$150,000,000 grant-in-aid to Israel.

It seems to us fitting and proper that the yardstick of great need be applied, as well, to the grants to be assigned to the Arab countries and the resettlement of the Palestine Arab refugees. The sensitive and troubled area of the Arab lands needs large-scale irrigation and reconstruction programs which alone can raise the standard of living of their depressed masses and ensure stability and peaceful development.

As the Clapp Commission has pointed out, the solution of the Palestine Arab refugee problem can best be worked out in conjunction with the execution of needed public-works projects in the Arab countries. We have been deeply moved by the plight of the refugees, which many of us have seen and studied at first hand and which seems to us particularly tragic because it need not have been, and was not desired nor caused by the new State of Israel. The passage of time and the changes it has effected has made repatriation of the refugees so difficult that it is almost impossible and far from desirable. We believe with the United Nations Conciliation Commission for Palestine that, "having the best interests of the refugees themselves in mind," we must concentrate on the resettlement of the refugees in the Arab countries. We cannot overemphasize how great a contribution to Middle East peace and stability will be made by successful resettlement along these lines.

We trust that out of your deliberations there will emerge an adequate program of American aid to the Middle East, as a whole, to the Arab refugees, and to the dynamic, new democracy of Israel, in particular.

Respectfully,

(Signed)	Henry A. Atkinson,
(Typed)	Dr. HENRY A. ATKINSON, <i>Honorary Chairman.</i>
(Signed)	Daniel A. Poling,
(Typed)	Rev. Dr. DANIEL A. POLING, <i>Cochairman.</i>
(Signed)	Samuel Guy Inman,
(Typed)	Dr. SAMUEL GUY INMAN, <i>Vice Chairman.</i>
(Signed)	Carl Hermann Voss,
(Typed)	Dr. CARL HERMANN VOSS, <i>Chairman, Executive Council.</i>

THE MUTUAL SECURITY PROGRAM

WEDNESDAY, JULY 25, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the capitol, at 10 a. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen: We will continue the hearings on the Mutual Security Program.

We have with us this morning the Honorable Edward G. Miller, Jr., Assistant Secretary of State for Inter-American Affairs; Mr. Kenneth Iverson, Director of the Institute of Inter-American Affairs, Department of State, and Gen. Charles L. Bolte, Chairman, Inter-American Defense Board, and Army Deputy Chief of Staff for Plans.

I want to say, as the members know, from time to time it will be necessary we will have to go downstairs to answer quorum calls and all of the members of the committee cannot be here at the same time. That is true today. We are going ahead with the proceedings.

Mr. Secretary, I believe it has been suggested that General Bolte testify first.

STATEMENT OF HON. EDWARD G. MILLER, JR., ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

Mr. MILLER. What I would like to do, Mr. Chairman, is this: Both General Bolté and I have a prepared statement. In my statement I was to testify initially on both the military and economic aspects of the program. My request is that we take up solely the military part first, and then let General Bolté continue.

Chairman RICHARDS. I did not know you were going to testify on that.

Mr. MILLER. I have a brief political introductory statement covering both.

Chairman RICHARDS. Mr. Secretary, proceed in your own way, and state what phase you are going to take up first for the committee's benefit; General Bolté can follow you.

Mr. MILLER. Under title IV of the mutual security bill there is being requested \$62 million for the fiscal year 1952 for the Latin American area. Of that, \$40 million is for military purposes and \$22 million is for technical cooperation.

Chairman RICHARDS. Have you a complete breakdown of that?

Mr. MILLER. Yes, sir. We will produce this morning a complete breakdown on both the military and the technical cooperation requests.

Chairman RICHARDS. Go ahead.

Mr. MILLER. I am not going to read this prepared statement, which is a general statement supporting our views.

Chairman RICHARDS. We would like to include that in the record.

Mr. MILLER. This can be included in the record and can be released to the press at the conclusion of the hearing.

Chairman RICHARDS. That will be done.

(The statement referred to is as follows:)

STATEMENT BY THE HONORABLE EDWARD G. MILLER, JR., ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS

I am Edward G. Miller, Jr., Assistant Secretary of State for Inter-American Affairs. I am here to support the President's request for \$62,000,000 for the Mutual Security Program for Latin America in fiscal year 1952.

The Secretary of State has already spoken to you briefly on our relations with Latin America. The importance of those relations is well known but I would like to comment briefly on them. The other American Republics share with us a common desire to protect human freedoms and national independence. They are interested in working together to maintain the peace and security of the hemisphere and to defend the hemisphere from aggression. They want to realize greater economic and social progress. This unity of thought and action among the American Republics is often distorted by the Communists for their own purposes. Judging the rest of the world by their own standards of conduct, they feel such cooperation can only be achieved by ruthless force and domination. At the same time, realizing that inter-American cooperation is a bulwark against the plans of their masters, they have set themselves to destroy it.

Latin America is a major source of the raw materials upon which United States industry depends. The present emergency only emphasizes the importance of our sister republics in that respect. As pointed out in documents already made available to this committee, Latin America provides the major share of some twenty items on our stockpile list. These include such items as wool, copper, lead, nitrate and sisal fiber. Trade between the United States and Latin America in 1950 was valued at more than \$5 billion. Private United States investment in Latin America in 1950 approximated \$6 billion. I do not intend to overemphasize the importance of the economic relations between the United States and Latin America but I do think that they must be given thorough consideration in the discussion of the program before you. The importance of obtaining the essential materials for defense as well as for our own civilian economy while at the same time assuring that Latin America receives a fair share of the goods she needs is unquestioned.

Because of this close cooperation and identity of interests between the United States and Latin America we were able to come to general agreement among the American Republics at the recent Meeting of Consultation of Foreign Ministers as to what should be done to meet the threat of international communism. First and fundamentally, the American republics agreed to work together to maintain friendly relations among all of us and to settle any disputes peacefully. We reaffirmed the policy of nonintervention in one another's internal or external affairs. I say these are fundamentals because they provide the foundation upon which we build our inter-American cooperation. At the same time they frustrate the efforts of subversive elements to destroy the bonds of inter-American friendship and the support of the inter-American community for the free world in general.

Each American Republic agreed at the Washington meeting to strengthen its internal security against the infiltration tactics of international communism. I do not need to tell this committee that unless our partners to the South are economically and politically stable they cannot make an effective contribution to the common effort to maintain the peace and security of the hemisphere and to prevent aggression against the hemisphere.

The American Republics have mutually agreed to do everything possible to increase production and processing of strategic materials required for the defense effort, for essential civilian needs and, in underdeveloped countries, for economic development. We are cooperating actively with the other American Republics in studying and working out solutions to raw materials, transportation, and other problems which will arise in our efforts to promote the security of the free world.

I should like to turn from a general discussion of how the American Republics

are cooperating to meet the present emergency, to a discussion of the Mutual Security Program for Latin America. This proposed program, in the amount of \$62,000,000, includes \$40,000,000 for military grant aid and \$22,000,000 for bilateral and multilateral technical cooperation programs.

General Bolte will present to you the essential military basis upon which the request for military grant aid is made. I believe that, in the face of the increasing menace of Communist-inspired aggression, these military considerations are of the utmost importance. From the foreign-relations point of view and from the viewpoint of our traditional policy of inter-American cooperation, the Department of State fully supports the President's request for this military grant-aid program.

It is not necessary, I am sure, for me to dwell upon the deep roots from which cooperation in this hemisphere has grown. I do not minimize in any sense the spirit of inter-American cooperation when I say that a variety of circumstances has kept our cooperation in collective actions of a strictly military nature from achieving full fruition. Where it was possible in World War II—as in the instances of the Brazilian and Mexican overseas contributions, and the actions of other countries in local defense measures—the military resources of American Republics were employed in the common defense. It must be recognized, however, that there have been and continue to be limitations upon the ability of many of these countries to join in effective collective military action. Assistance from the United States will help to overcome obstacles which have existed, and will increase the total capacity of the free world to resist aggression.

All the American republics are members of the United Nations. Their solidarity with the nations of the free world on issues important to the maintenance of freedom against aggression has been frequently expressed. The Inter-American Treaty of Reciprocal Assistance provides the treaty framework for action on a regional basis for collective self-defense against armed attack and for taking the measures necessary to meet other forms of aggression or the threat of aggression against the American continents. In the recently concluded Washington meeting, the Foreign Ministers took steps to place the orientation of their military preparations directly within the collective-defense principles of the Rio treaty, and thus away from traditional and more limited concepts. They recommended that these preparations be directed toward increasing those resources and strengthening those armed forces best adapted to the collective defense. They recommended full cooperation in military matters in order to develop collective defense. Although this inter-American military policy is clearly implied in the terms of the Rio treaty, as well as in the action which led to the adoption of the instrument, I believe this is the first time that it has been so clearly and explicitly stated by the Foreign Ministers or their governments. It establishes a firm policy basis for inter-American military cooperation into which this program would fit.

The Foreign Ministers also directed the Inter-American Defense Board to do the planning necessary to ensure that the collective military strength is employed in the manner best calculated to achieve collective defense. This planning is being actively carried out by that body.

The military-aid proposal will strengthen the capacity of countries which agree to perform specific tasks in conformity with general defense plans developed through the Inter-American Defense Board. The agreement of the country concerned is indispensable, but I am confident that the present condition of inter-American solidarity is such that agreement will be reached.

One of the most conspicuous triumphs of hemisphere cooperation has been and continues to be the extent to which the threat or use of force in the international relations of the American states has been eliminated. I believe that we have reached the point where no American state has reason to apprehend the danger of aggression from any other American state. In their recent meeting, the Foreign Ministers declared that the faithful observance of commitments on nonintervention and peaceful settlement by the American Republics "make it possible for each of the republics to concentrate the development of its capabilities upon the tasks best adapted to the role each is best qualified to assume in the collective defense against aggression." By providing the assistance proposed we will strengthen our ability and the common inter-American determination to maintain the peace and security of the hemisphere.

The military program which I have already mentioned, and the proposed technical-cooperation program in the amount of \$22,000,000 which I shall now discuss, are opposite sides of the same coin. The program of defense on which our own country is so successfully building is not based primarily on warships, planes, and guns. It is built on the individual who is convinced that our way of life is worth fighting to preserve. It is built upon spiritual and moral values.

which we believe in as a people. It is built upon a well-educated, healthy, and prosperous society. Because of these things, the United States is the acknowledged leader of the free world. If our neighbors in Latin America are to have security from both internal unrest and external aggression ways must be found to provide adequate food, increase the supply of trained workers, and reduce illiteracy and the incidence of disease. In addition, if they are going to produce the many materials which are needed by the free world, the economic productivity of their population must be increased. Even without the strain of the present emergency, many of them were faced with the problems of inadequate food supply, poverty, sickness and illiteracy—conditions which are exploited by extreme nationalists, Communists, and other who desire to fan anti-United States sentiment. The present emergency only aggravates that situation. The Congress is concerned about the effect of the total defense program on the economy of the United States. The effect is going to be much more pronounced in countries which are not nearly as highly developed as the United States and which do not have the production machine to meet new and heavy demands. I believe at the same time our sister republics are making an effort to contribute effectively to the defense of the hemisphere we should make a greater effort to help them realize their aspirations for greater economic and social progress. It is the constructive way to build a free and democratic society.

It should be recognized that there has been a certain amount of disappointment expressed both in Latin America and on the part of citizens of this country interested in Latin America that such a small proportion of the funds provided for in the pending bill are allocated to Latin America. This criticism does not take into account the fact that we expect a substantial part of the job of development in Latin America to be done by private capital. Furthermore, to the extent that foreign financing of a public nature is required for particular development projects in Latin America, recourse may be had either to the International Bank or to the Export-Import Bank. Our Government's contribution to the International Bank amounted to \$3¼ billion. The Export-Import Bank has uncommitted funds on hand in excess of \$500 million and the President has requested the Congress to increase such funds by \$1 billion. The total amount that these two banks will have for foreign-development projects should be ample to provide for expected needs. It should be noted in this connection that the Latin-American countries are today in a greatly improved financial position as a result of higher prices for commodities. Under present and foreseeable circumstances we believe that the interests of all concerned will be best provided for by maintaining our contributions to development projects requiring large capital investment on a loan basis.

On the other hand, we are requesting increased funds for the technical-cooperation program. Neither private capital nor the public-lending institutions are equipped fully to supply the great need to improve agriculture, health, and education. It is these services which touch the individual upon whom the strength of each nation depends. It is for this purpose that we are requesting \$22,000,000 for both bilateral and multilateral programs of technical cooperation in Latin America in fiscal year 1952. This amount, together with the facilities for public lending which will be available through the International and Export-Import Banks, will enable us to carry forward a vigorous and comprehensive program of economic development in Latin America consistent with our own national self-interest and the deep friendship which the people of this country have for the people of the nations to the south.

Dr. Bennett will present a more detailed justification for the technical-cooperation program. I should only like to point out that most of the funds requested are for personal services and the training of Latin-Americans in the United States. Less than one-third of the bilateral program is intended to be used for supplies, materials, or operating funds. It should also be noted that our sister republics have been more than "pulling their own weight." In fiscal year 1950, for example, they matched each dollar of our funds with about \$3 of their own. We expect a similar or even greater ratio of contributions from them in the next fiscal year. In addition to proposing a program in which we believe the other American Republics can cooperate financially, we have included in the program over \$1¼ million intended to contribute directly to increasing the supply of critical materials. A part of the agriculture program is also intended to increase the production of commodities which we need for our own economy as well as to help meet the food requirements of Latin America. The entire program is intended to contribute directly to or support our mutual security effort.

I want to finish with a word about the multilateral contributions of \$4,000,000 included in the program for Latin America. The programs of the United Nations

and the Organization of American States can make an effective contribution in Latin America in concert with the bilateral program. They are effective demonstrations of what can be achieved by free nations working together. Other witnesses will discuss the United Nations program with you. In respect of the program of the Organization of American States, it is filling a very definite need and supplements the United Nations and bilateral programs. It is directed primarily toward strengthening the existing training institutions in Latin America. The program, to which it is proposed we contribute \$1,000,000 in fiscal year 1952 has just begun. It is attacking such regional problems as the training of personnel and the development of plans for the control of hoof-and-mouth disease and the training of agriculture extension personnel.

For the small investment of some \$62,000,000 in military aid and in technical cooperation we expect to continue to help build the economic, political, and military strength of Latin America. The total Mutual Security Program for Latin America is necessary if we are to press forward in this self-help effort to build a sound and secure hemisphere. It is a small but vital part of the Mutual Security Program for the free world.

Mr. MILLER. Mr. Chairman, the \$62 million which is being requested for Latin America represents about three-fourths of 1 percent of the total amount requested under this bill.

The \$40 million requested for military purposes is, in effect, a new program. The executive branch of the Government and the Armed Forces have had no authority to transfer equipment to Latin America, except the authority which lapsed under the Lend-Lease Act, and again the authority which lapsed upon the termination of the war-surplus-disposal legislation.

Since then we have been authorized under the military MDP legislation to transfer military equipment to Latin American countries at cost; with the exception in the case of used equipment it can be transferred to Latin America on the basis of its fair value.

We are now requesting authority to transfer on a grant basis up to \$40 million worth of equipment for specific purposes, which will be gone into in greater detail by General Bolté.

As the committee knows, all of the Latin American countries and ourselves are signatories to the Rio Treaty of Mutual Assistance, which has similar provisions concerning collective security in this area to those which were later entered into by the signatory nations of NATO.

Under the different inter-American resolutions there has been set up the Inter-American Defense Board, of which General Bolté is Chairman. That Board has drawn up a common defense scheme to give effect to the original provisions of the Rio Defense Pact.

It is for the purpose of enabling the implementation of certain aspects of that common defense scheme that we are requesting the \$40 million authority.

I want to make it clear that no transfers will be made under the military provisions of title IV, except pursuant to the negotiation of specific bilateral agreements, under which the recipient countries will agree to carry out certain specified tasks related to the common defense scheme.

No transfers will be made under this authority if it is granted by the Congress, unless the recipient country has signed such a bilateral agreement.

I think with that introductory statement, I will ask General Bolté to go more specifically into the purposes of this request, and the kind of tasks we are talking about. We will have some charts showing the breakdown of the \$40 million.

Chairman RICHARDS. Are there any questions?

Mr. JAVITS. I wanted to make a one-line statement. I will be leaving in a few minutes. I did not want the general to feel it was anything connected with his statement that we had to go downstairs.

Chairman RICHARDS. General Bolté.

STATEMENT OF GEN. CHARLES L. BOLTÉ, CHAIRMAN, INTER-AMERICAN DEFENSE BOARD

General BOLTÉ. I appreciate the opportunity of testifying now. The Joint Chiefs of Staff are testifying this morning, and I would hope I will get—

Chairman RICHARDS. One branch of the Joint Chiefs of Staff is meeting downstairs, too. We will do the best we can.

General BOLTÉ. I also have a prepared statement, Mr. Chairman. (Discussion off the record.)

General BOLTÉ. With the committee's permission, I will not read the statement, but will speak from notes and charts.

Chairman RICHARDS. The statement will be included in the record. (The statement referred to is as follows:)

STATEMENT IN SUPPORT OF TITLE IV, LATIN AMERICA MUTUAL SECURITY BILL, GIVEN BY LT. GEN. CHARLES L. BOLTÉ, ARMY DEPUTY CHIEF OF STAFF FOR PLANS

1. The Department of Defense strongly supports the President's request for grant military assistance of \$40,000,000 to Latin America. It believes that Latin American military forces may be put in a better position to undertake in this hemisphere defense missions which are important to the security of all the American Republics and which otherwise would have to be performed by United States forces. In most cases the requirements for United States forces for these missions can be reduced in direct proportion to the assumption of these missions by the other American Republics.

2. However, the armed forces of these American nations either lack much of the military equipment required for properly executing these tasks or the equipment they now have requires rehabilitation. We are therefore asking the Congress for authority to furnish matériel and services to those Latin Governments which agree to provide forces for the execution of the specific military tasks of importance in the defense of this hemisphere. The funds we are requesting will be used only for this purpose and not for any program of strengthening Latin-American forces in general.

3. In order to appreciate the requirement involved it is necessary to review briefly the history of recent Inter-American military cooperation. This cooperation dates generally from the beginning of World War II, when it was realized that the geographic isolation of this hemisphere no longer protects our American nations from threats of military aggression coming from outside the hemisphere. During World War II, while the Latin American nations were orienting themselves toward defense of their areas, their main contribution was in the nature of naval forces and facilities for use within the hemisphere. In addition, Brazil sent an infantry division to Italy and Mexico sent an air force squadron to the Pacific. These contributions of forces, particularly those outside the hemisphere, were made possible by the provision of considerable quantities of United States matériel.

4. To further hemispheric solidarity and cooperation the Inter-American Defense Board, established in 1942, has worked continuously for the attainment of full military cooperation. The United States, under various acts of Congress, has furnished military equipment on a reimbursable basis to these countries. And our three services, Army, Navy, and Air Force, at the invitation of Latin American Governments, are maintaining military missions to assist in standardizing military training and doctrine. Also we train a number of Latin American students in our military schools under existing authority. All of these measures are proving beneficial.

5. In their recent fourth meeting of consultation here in Washington, the Ministers of Foreign Affairs of the American Republics recommended to their governments that those of their armed forces best adapted for collective defense should be maintained so as to be immediately available for the defense of the hemisphere. Now, with the unsettled world conditions and with Latin American desires to contribute to hemisphere defense, some of these nations find it difficult from the financial standpoint to procure adequate spare parts for the proper maintenance of the United States equipment in their possession; others which can pay on the reimbursable basis are not included in this grant aid. The grant-aid funds which we are now requesting from the Congress would be used for these former nations to rehabilitate portions of their equipment.

Chairman RICHARDS. General Bolté will proceed in his own way as to the military phase.

(Discussion off the record.)

General BOLTÉ. During the last war we had something over 100,000 personnel disposed down in Central and South America for the protection of the sources of raw material and the protection of the maritime routes which insured continuity of that material coming from those countries to our east coast ports.

That was a considerable burden on our manpower situation. The basic purpose of the military aspects of the request for this amount of aid to those countries is intended to diminish or lighten or remove that burden in the event we get into another conflict, which we all hope we will not get into. But all of the plans and actions we are taking are designed to minimize the burden in the event of another war.

This first chart shows where one-hundred-and-thirteen-and-odd-thousand personnel of the Army, Air Force, and Navy, including the Marine Corps, were disposed throughout Central America and South America during World War II. We are hoping that as a result of our planning and collaboration with the countries of Central and South America, they can perform these tasks that had to be performed by our armed services in the last war.

(Discussion off the record.)

General BOLTÉ. The Inter-American Defense Board, of which I am the Chairman, has made very considerable progress in developing what is called a common scheme of defense for the Western Hemisphere. Based on that, it is now considering a more detailed plan which sets forth the strategic and critical areas and the tasks which we expect to be performed in those areas.

(Discussion off the record.)

General BOLTÉ. The Joint Chiefs of Staff, for whom I can also speak, definitely are not advocating across the board distribution of a certain amount of money to certain countries. They first want to evaluate the ability of a Latin American nation to handle a specific task in the defense scheme of this hemisphere. Then they would approach that nation to determine its willingness in the matter. If the answer were "we can do it, but we need this or that in the way of equipment," and if procurement were on a reimbursable aid basis, the Joint Chiefs would favor it. However, in many cases the reimbursable basis could not be applied because of economic difficulties in the country concerned. In these cases we propose allocating the grant aid requested to enable the nation to perform that defense task. No money would be transferred until that nation had completed a bilateral agreement with the United States.

To illustrate, I might use a case which occurred this last spring, in which Bolivia was interested in procuring from us some engineering

equipment with which she could work on the roads during peacetime and also be equipped for wartime employment.

The material was on hand and not required by us. It was possible to deliver it to Bolivia on a reimbursable basis. The equipment has improved some of the road systems in Bolivia, in turn expediting the movement of tin to this country.

(Discussion off the record.)

General BOLTE. The Panama Canal is another example for which we would welcome an opportunity to have a contribution of forces. Our defenses there are below what we would like to have, and they have had to be cut down to provide more troops for other areas of higher priority. It is conceivable that if one or more countries could contribute anti-aircraft battalions for the protection of that area, the Joint Chiefs of Staff would be glad to help out with equipment, for fire control, for example.

These examples point out the manner in which the Department of Defense would like to see this program executed. I know, from the standpoint of the Joint Chiefs of Staff, they are realistic about this and they have no intention of allocating an item of equipment to a particular country unless it is going to contribute positively to the plans which have been drawn up and set forth for meeting another emergency.

The Inter-American Defense Board, in which 19 nations, including the United States, are represented, has made in the last year what I consider to be phenomenal progress in collaborating on this over-all idea of the security of the Western Hemisphere.

The recent meeting of the Consultation of Foreign Ministers also resulted in the unanimity of their collaboration on planning and implementing the plans for the security of the Western Hemisphere.

This not very large amount of money will make a definite contribution even more in principle than it does in matériel to the security and the implementation of the defense plans.

(Discussion off the record.)

Chairman RICHARDS. Thank you, General. Mr. Carnahan.

(Discussion off the record.)

Chairman RICHARDS. Mr. Reece.

Mr. REECE. What progress has been made in rubber production in South America?

Mr. MILLER. Rubber production?

Mr. REECE. Yes.

Mr. MILLER. I think we will get into that in the technical program. I would like to pass that until then.

(Discussion off the record.)

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. You say there is no understanding between the United States and these countries. What is it—just a feeling that if anything happened, these countries would cooperate?

General BOLTE. I did not mean to say there was no understanding. There is a definite understanding. We have not only the common defense scheme, but the plan developed by the Inter-American Defense Board. But I mean for a specific defense task we have reached no bilateral agreement.

(Discussion off the record.)

Mr. RIBICOFF. You still have the wholehearted and good will cooperation of Brazil?

General BOLÍE. Yes.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. No questions.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. No questions.

Chairman RICHARDS. Mrs. Kelly.

Mrs. KELLY. Mr. Chairman, do we have a detailed report of the agreements reached as a result of the Fourth Meeting of Consultation of Foreign Ministers of the American Republics.

Mr. MILLER. Those have been made public, Mrs. Kelly.

Mrs. KELLY. Not the detail.

Mr. MILLER. The resolutions.

Mrs. KELLY. Any agreements that we made.

Mr. MILLER. There were no secret agreements. I might emphasize one thing that General Bolíe has adverted to. Going back to Mr. Ribicoff's question, we have the Rio treaty. An attack against one country is an attack against all. We have set up the Inter-American Defense Board, which has worked out a common defense scheme.

Then at this very recent meeting of the Foreign Ministers, we reinforced the Rio treaty commitment in a resolution on Western Hemisphere defense, which for the first time put down on paper the obligation of each country to orient the use of its armed forces in behalf of the collective security of the Western Hemisphere.

It is really to implement that defense scheme and the Foreign Ministers' meeting that we are requesting this fund. That is why the Foreign Ministers' meeting is significant, in response to Mrs. Kelly's question.

Chairman RICHARDS. Mr. Lanham.

Mr. LANHAM. No questions.

Mr. RIBICOFF. Mr. Chairman, is it too late for me to ask one more question?

Chairman RICHARDS. Go right ahead.

Mr. RIBICOFF. I raised this question with the witnesses who have testified in the other phases of this program. The United States has been in the process of making not really unilateral agreements from a sectional standpoint with all sections of the world. In these the United States commits itself and its forces to come to the assistance of all the various areas.

Yet there seems to be a complete lack of a correlative duty on the part of these other areas to come to the assistance of the United States when the United States is in difficulty in other areas of the world.

Has there ever been any attempt in your agreements with Latin America and South America to have them come to the United States' assistance if we get involved in Europe, the Philippines, Japan, Australia, or any other segment of the world?

General BOLÍE. In some cases. They are all supporters of the United Nations Charter, which is designed, of course, for just that purpose. The countries of Central and South America support that Charter, of course. We have, for example, a Colombian troop unit in Korea now by agreement between the United States, as the United

Nations' command, and Colombia. Other offers have been made and are in various stages of consideration. So there are cases in which these countries have specifically committed themselves in support of the United Nations Charter and in the case of this hemisphere, the Rio treaty.

Mr. MILLER. I might add that we had a Brazilian division in Europe during World War II which was commanded by General Bolté.

Mr. RIBICOFF. Do you ever get the feeling of reluctance because they feel the defense perimeter is much too broad? Is there ever any talk from the South American countries about their jeopardy because of the widespread American commitments all over the world?

General BOLTÉ. I have never heard anything to that effect. I have heard representatives of some of the countries speak of the influence which public opinion in their own country has on the proposition of committing military forces outside the country or outside the hemisphere.

Mr. RIBICOFF. What is that attitude?

General BOLTÉ. It varies, of course, in different countries.

(Discussion off the record.)

In the event of another world war, I think every country of the free world would realize it would be an all-out effort and they would all be involved in it.

Mr. MILLER. I think it also ought to be stressed, Mr. Ribicoff, that what we are talking about here relates exclusively to Western Hemisphere defense under the Rio treaty.

When it comes to any action under the Rio treaty, I think by definition you get a much more wholehearted reaction from the Latin Americans than any situation involving sending troops outside.

Mr. RIBICOFF. That is all.

(Discussion off the record.)

Chairman RICHARDS. Are there any other questions?

Mr. REECE. What about Central America?

General BOLTÉ. I did not understand the question.

Mr. REECE. What about Central American countries?

General BOLTÉ. They are all small countries and they all have very small forces—able to contribute little to hemisphere defense.

Mr. REECE. What I particularly had in mind—I guess this is not the place to refer to it—in case trouble should arise, is the relationship with them such that you have a right to believe they would sympathize with us and cooperate with us?

General BOLTÉ. Yes, sir. As a matter of fact, since I have been associated with the Inter-American Defense Board, I have been constantly gratified at the unanimity and the willingness to collaborate in the production of these agreements.

Mr. REECE. What about Guatemala?

General BOLTÉ. Guatemala also. The Board resolutions that have been passed and the action on the scheme of defense prepared by the Board was unanimous. It was every country. It is a very pleasant relationship.

(Discussion off the record.)

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. General, your chart shows grant aid, and although the reimbursable paid is not chargeable to the taxpayer, how much do you estimate will be transferred in 1952 under this reimbursable aid?

General BOLTÉ. I will estimate a little over \$100,000,000 not including Canada. I have a record that shows what has been transferred in the past. The principal reason for small transactions would be our shortages in hardware and the heavy demands which Korea, Western Europe, and other priority areas in the world are placing on our production. Latin America cannot now be placed very high up on the list. While this bill would provide the money, which is, after all, the index, it is really the item of equipment, such as anti-aircraft guns, and so on, which are weighed in the balance as to whether they would go there from short supply or elsewhere.

Mr. BATTLE. Would you anticipate an increase?

General BOLTÉ. As the situation eases up. For instance, if we could ever settle Korea, we could switch that flow of supply and some could be made available for Latin America on the reimbursable basis.

In connection with this subject of reimbursable aid, I would like to mention in emphasis a subject which was discussed the other day before this committee. It concerns the proposed provision, section 604, of this legislation you are considering. This section provides for an increase in the total limitation which is now imposed on the value of military equipment which may be sold on a reimbursable basis to foreign governments. The requested increase in limitation, which of course does not require appropriations, is designed primarily to permit Canada to carry out her military modernization program through the purchase of United States military equipment. Such an increase, too, is a necessity for the Latin-American nations to enable them to maintain their armed forces at modern standards. We expect the bulk of our total assistance to Latin America to continue on a reimbursable basis.

Mr. BATTLE. Thank you, General. That is all, Mr. Chairman.

Chairman RICHARDS. Thank you, General. We will continue with Mr. Miller now.

Mr. MILLER. I will answer any political questions or proceed in any other way that you want.

Chairman RICHARDS. You go right ahead and proceed, Mr. Secretary, in the way you want to.

Mr. MILLER. Mr. Chairman, the second part of the administration's request under title IV relates to \$22 million for technical cooperation programs during the fiscal year 1952, of which \$1 million will be for multilateral programs carried out by the Organization of American States; \$3 million for continuing our UN programs in Latin America; and the remainder, \$18 million, will be for bilateral programs.

Mr. Kenneth Iverson, who is the president of the Institute of Inter-American Affairs, in the absence of Dr. Bennett, Technical Cooperation Administrator, will speak on that.

I will submit for the record a statement prepared for Dr. Bennett, which he will talk about when he eventually appears before this committee.

Chairman RICHARDS. I noticed that Dr. Bennett had a statement here. He does not want to include that in the record now?

Mr. MILLER. Not until he gets here.

Mr. MILLER. All of the technical cooperation programs that we are going to be continuing in the fiscal year 1952 have been in effect in preceding years.

Unlike other areas of the world, we have had technical cooperation programs going on in Latin America for about 11 years. During

World War II Mr. Nelson Rockefeller created the Institute of Inter-American Affairs, which Mr. Iverson is now directing.

About 77 percent of the funds which we are requesting in fiscal 1952 will be devoted to programs in the field of agricultural development and food production, health and sanitation, and basic education, primarily vocational training. These requests for funds for these programs are requests for merely continuations of and additions to programs already under way.

In addition to that, we are carrying out certain other programs. The next most important being programs for the development of rubber and mineral resources, and for transportation and communications, the latter consist primarily of continuing civil aviation missions and the supply of certain highway and railroad technicians. There is also some work under way in the field of industry and labor and government administration and services.

I have had distributed to each member present this morning a detailed breakdown—this mimeographed document—showing how the \$18 million of bilateral programs will be broken down.

This committee is generally familiar with the work of the Institute of Inter-American Affairs, which up until last year used to present its own program. You are also familiar with the work of the old Inter-Departmental Committee on Scientific and Cultural Cooperation, the programs of which are also included now in this single overall request for bilateral technical cooperation programs in Latin America.

We can ask Mr. Iverson to add what he wants to my statement, or we can go straight to the questions.

Chairman RICHARDS. Suppose we go ahead with Mr. Iverson, and then the questions may be asked later. Mr. Iverson. Please state your full name and title.

STATEMENT OF KENNETH IVERSON, PRESIDENT, INSTITUTE OF INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

Mr. IVERSON. I am Kenneth Iverson, president of the Institute of Inter-American Affairs.

I would like to point out the problem in Latin America that the point 4 program is attempting to assist the countries of the Latin-American Republic to solve and also some of the activities.

As I describe the activities, I would like to circulate to the members of the committee pictures of the actual activities. As Mr. Miller stated, the work in Latin America has been going on for more than 10 years. We bring to the committee a series of accomplishments, and a number of problems in relation to which we hope to continue helping our Latin-American neighbors.

First, in the Latin American countries there are major problems of inadequate food supplies, poverty, illiteracy, and disease which confront these countries, and which they themselves must solve if they are to become strong democratic entities in the Western Hemisphere.

Some of these figures are as follows: There are approximately 155 million acres of land for 138 million people. There is 1.1 acre of land for each person in these countries. In the United States we have better than 415 million acres of land for the 155 million people, or 2.6 acres of land per individual in the United States.

That is not all. In the United States our production per acre is estimated to be about five times the production per acre in the Latin American countries, or, in reverse, the Latin-American countries produce about one-fifth per acre of what we do, and they have less than one-half the number of acres per individual in cultivation.

With the exception of possibly two or three countries in Latin America, the mass of the people do not have adequate food supplies. The best estimates we have on calories consumed is under 2,100 calories, as compared with approximately 3,100 in the United States. This does not include either Argentina or Uruguay, and possibly Cuba.

The annual per capita income in Latin America for ten countries is less than \$100. Only in Argentina, Cuba, Uruguay, and Venezuela, do we have a per capita income better than \$200. In the United States, it is better than \$1,400 per individual. Another factor of interest in Latin America is that the people have a life expectancy of about 35 years.

The first subject I want to talk about in this program is agriculture. Approximately 60 percent of the people in Latin America earn their livelihood from farming. There are two ways in Latin America to increase food production. One way is to expand cultivation to new land. It is estimated there are 200 million acres of land that could be opened up for cultivation. It is not the purpose of the proposed point 4 program to open that land, but the program will have a direct and indirect effect in encouraging the peoples of this country in opening this vast amount of land. The principal activities we propose to carry on in Latin America is the better utilization of the land which is now in cultivation.

These are the types of things we are going to carry on in these countries: Research activities. For example, in relation to coffee, which is one of the major items of production in Latin American countries, cooperative research is going on which is having the effect of materially increasing production.

Seeds are coming out of the Latin American research stations, farms, and experiment stations which we have helped organize. This picture will show the difference between the type of seed which is now being used (in the top picture) and the type of seed which is being used where proper cultivation is not practiced.

New sources of vegetable oils are being developed in these countries due to the new method of extracting oil from the plants themselves which have been introduced.

There are in the programs experiment stations which are established for the purpose, not only of finding solutions to the diseases that confront these countries in the production of agricultural items, but also bringing in and testing new items which can be used in agricultural production.

In addition, we have livestock improvement programs. Latin America has about as much livestock as the United States, but it is concentrated in a few of the countries.

For example, in Paraguay, we are carrying on a livestock improvement program. It is designed to bring better breeds of cattle into the country and to develop a type of animal that the country can afford to have and which will increase the production of meat.

Excellent results have been achieved by this type of program in these countries. One of the major problems that confront the

countries is the difficulty or lack of facilities for taking agricultural information to the farmer. We are working with the countries in Latin American in setting up extension services that will take information on how a farmer can produce more from the land than he has, and take that to that farmer in order that he can get better and greater crops out of his soil.

In Peru we have been successful in setting up an extension service in which 33 stations are being manned, not by Americans, but by Peruvians who have been trained either by Americans in Peru or Peruvians who have come to the United States.

Our extension service activities include conservation. The pictures here will show what is being done in improving and maintaining the land that is now being cultivated by the farmers, such as soil maintenance, use of fertilizers, and the results of fertilizers; pest control, improved irrigation practices, seed distribution, use of tools, and so forth.

We have set up machinery pools where the people of these countries are taught the maintenance and use of agricultural equipment in order that they themselves can either rent it from the pools that are set up, or purchase agricultural equipment if their resources permit. We also have a training program, not only locally, but in the United States.

I would like to point to one or two examples. In Peru, as a result of this program, potatoes which are one of the main items of diet, or the staff of life, were gradually being eliminated from the farms in this country because of the pests and worms that were getting into the soil. The cooperative program in the last 5 years, with the use of pesticides and insecticides has increased the volume of production 100 percent, and today there is a more adequate supply of potatoes in that country.

Four years ago tomatoes were very scarce in Peru. Today, although there has been an increase in the cost of living between 300 and 400 percent, the cost of tomatoes in that country is still what it was 4 years ago. So in effect there has been a decrease in the price of this article because of the increased production.

These are advances which I could go on citing in country by country up and down the hemisphere that have resulted from the work which is being performed by these people with the assistance of the United States.

At this time I would like to point out that it is not a program which is being administered solely by the United States; nor is it a program being administered solely by these countries. I think in the hemisphere we can point with real pride to the fact that the countries of Latin America and the United States are partners in carrying out programs for the solution of problems in the field of agriculture.

Years ago we started a type of administrative device which has come to be known as the *servicio* type of operation. In fact, when one of these countries asks for assistance in the field of agriculture and the United States, after considering it from the standpoint of foreign policy, decides to cooperate with the countries, we suggest to the country that rather than have simply an advisory program it ought to be an actual program where the technicians from the two countries work together. We suggest they create within the framework of their

Ministry of Agriculture an office called the Cooperative Servicio for Agricultural Development.

This device has been used in most of the countries of Latin America. The servicio is an agency of the Latin-American government. The governments, in order to insure that the work would move along as rapidly and as effectively as possible, usually appoint an American director of the servicio. This official receives his salary and expenses from the United States. Both governments assign their nationals as staff members. Then both countries put in the money which is used in carrying out these programs.

I can report today that the countries of Latin America in the field of agriculture are putting in more money into the cooperative agricultural development programs than the United States.

In addition to the items I have mentioned, there is a rubber development program which is being carried out. This program is attempting to solve the problem of blight and disease which is attacking the rubber trees of the hemisphere. This is the hemisphere where rubber trees were first found. The rubber trees of the rest of the world were taken from this area. Real progress is being made in the research stations of the countries that receive the assistance of the United States rubber technicians in combatting the diseases that affect not only the root and stalk, but the leaves of the rubber trees.

Secondly, real progress is being made in supplying plantings that can be purchased by the farmers of the hemisphere and planted in their own plantations or farms.

I would like now to move to the health and sanitation program and give one or two factual figures to indicate the problem these countries are confronted with.

The death rate of Latin America is 50 percent higher than the death rate in the United States.

Chairman RICHARDS. How much?

Mr. IVERSON. Fifty percent higher than in the United States.

I have already indicated that the average life expectancy in a Latin-American country is approximately 35, as against the life expectancy in the United States of 66. The disease problems that confront Latin America are legion.

I will not take the time of the committee to mention them, but there are many. I think you might be interested in some of the figures on the number of physicians in Latin America. There are approximately 50,000. In the United States there are 150,000. Nursing, which as a profession has not been recognized in Latin America until recent years, has not been developed. At present there are less than 10,000 graduates nurses in Latin America compared to more than 300,000 in the United States. There are only 52 nursing schools as against over 1,000 in the United States.

We have used the same type of cooperative services arrangements for health and sanitation programs, as previously described for agriculture.

Incidentally, it is a device which I believe is going to be used in other areas of the world, because we find in other areas interest in this device and a desire to take the meritorious aspects of it and use it in other areas.

One of the principal activities in the health program is the health center. The health program is primarily a program to reduce disease,

and not to cure it. There are too many people ill in these countries to take care of them in hospitals. The principal objective of our preventive medicine program is to reduce the incidence of disease.

The health center pictures which you see here will show the activities of the visiting nurses, who go through the communities giving vaccinations, taking care of expectant mothers, treating the youngsters and advising them on questions of health, and even developing little agricultural demonstration activities which will actually show the people what type of vegetables to raise, and what type of diet to have.

The next is malaria control. We have worked with the towns in the various areas. I remember the little town of Breves on the Amazon River. In 1945 no boats were stopping at that little town. The cooperative health program went in and sprayed DDT and cleaned up some of the swampy areas, so that town is today a thriving little metropolis on the Amazon.

These are examples of many of the hundreds of types of activities in which we are cooperating with these Governments.

In the field of health and sanitation from Mexico south, not including Argentina, there have been over 3,000 activities of this type—health centers, water and sewage systems, control of specific diseases, health education, hospitals, training, research, industrial hygiene. In the latter field the program is contributing to the production of strategic materials. In Peru, for example, the United States and Peruvian technicians have gone into the mines, examined the conditions, and have made recommendations to the Government which resulted in a safety law being enacted in that country. There has been improvement in the health conditions of the miners which results in a definite contribution to the defense effort by way of more strategic materials.

Our objective in the health program is to train the people of these countries so that they have a national health department, which will continue on to solve the problems which confront these people, without assistance from the United States.

The pictures that have been circulated may raise questions concerning these activities. We recently received a statement from the manager of the Victoria Minas Railroad, which is the railroad that serves the major steel mills in Brazil, which indicated that as a result of health programs in that country, the operating costs had been reduced one-third, because the workers were now in a position to come to work 6 days a week, whereas before, approximately one-third of their employees were sick with one type of illness or another.

Another major problem that the Latin-American countries face is that of illiteracy. About 50 percent of the population above school age have never attended school. Illiteracy rates run from approximately 35 percent to as high as 92 percent.

Many of those who have gone to school have received only 2, 3, or 4 years of schooling. The teaching methods used are generally that of memorization. The teachers, as a rule, have not received more than ninth- or tenth-grade educations. The cooperative program that is now being carried out is for the primary schools of the country, primarily in the rural areas. We are helping these countries develop a curriculum for the primary schools, and also for the vocational education schools. We are organizing teacher training

systems to train the teachers of these countries—not the students—so that the teachers themselves can more adequately handle the problem of education.

I think it is interesting to note one of the systems of organizations for the rural schools that we have approved, and helped them develop. This is what is called the nuclear system.

This system was already in existence in Bolivia when our program started, but the director of the cooperative educational program in that country encouraged the Bolivians to follow it to a greater extent. Under this system, a trained supervisor is placed in one center or nucleus and given the responsibility of demonstrating improved teaching methods, the construction and improvement of school houses. The teaching of youngsters in that entire area is improved by bringing in the school teachers from all the areas around, so that in one center you have a demonstration and a training program which, in effect, affects all the schools around that area.

At the present time there are a good many hundreds of rural schools in Bolivia that are organized into the nuclear system.

In these schools, not only in Bolivia but in the other countries where we are working, student attendance is generally about one-third higher, and is gradually increasing, as a result of the increased interest in schools both on the part of the parents and students. It is one-third higher than it is in the areas where we are not working.

In addition to the educational program we have, as Mr. Miller indicated, a program in industry and labor, under which we are bringing to the United States personnel in various fields of technology for training in order that they can return to their countries and help to develop them.

We are helping them develop vocational educational systems so that these countries may be able to train the personnel that are needed, as these countries develop their industrial capacity.

Transportation is a major problem, and those of us who have traveled around Latin America have seen it. It is one of the principal activities in the cooperative technical assistance program, and we are not only giving them advice and assistance in the field of air transportation, but consultative service on roads, railroads, and other types of transportation, such as water transportation.

In the field of mineral resources, the Bureau of Mines of the Department of the Interior has done a very fine job in working with the countries in exploration and testing of various minerals. The deposits of manganese recently found in Brazil were partly due to this type of work.

We have found in Latin America that deficient government administration is impeding the type of program we are attempting to carry on. If an agency is not capable of administering a program, no matter how good the technicians are, it is not possible for them to effectuate it. So we have been, through this servicio device, demonstrating good public administration. That has resulted in continuing requests from these governments for other assistance in improving the administrative structure of their government, including the tax structure, and the customs, tariffs, and other structures that are so important to the economic survival of the country.

Mr. Chairman, I have rapidly gone through the high lights of this program and, as Mr. Miller indicated, I would be glad to answer questions on it.

Chairman RICHARDS. Thank you, Mr. Iverson. We will go down the line under the 5-minute rule, and the committee members will ask either you or the Secretary questions as they wish.

Mr. CARNAHAN.

Mr. CARNAHAN. Your position is president of the Institute of Inter-American Affairs. Is that correct?

Mr. IVERSON. Yes, sir.

Mr. CARNAHAN. What department are you in?

Mr. IVERSON. Mr. Carnahan, the Institute of Inter-American Affairs, to get the background of it, was first created under the authority of Congress in 1942 by Mr. Nelson Rockefeller as a corporation of the State of Delaware. In 1947 the Congress incorporated it as a statutory corporation and vested in the Secretary of State the authority to appoint the members of the board of directors of the corporation. So that in effect we are attached to the Department of State, and Mr. Miller here is Chairman of the Board of Directors.

Mr. CARNAHAN. What is the status of the action that Congress took, I believe, in 1949, extending the Institute of Inter-American Affairs for 5 years?

Mr. IVERSON. Yes. In 1947 the Congress authorized the Institute for 3 years. Then, in 1949, it extended the life of the Institute, so to speak, to June 30, 1955.

Mr. CARNAHAN. As to the authorization of funds now in this bill, are we carrying some authorization of funds to be used directly by the Institute of Inter-American affairs?

Mr. IVERSON. Mr. Carnahan, the appropriation this year is carried in the total bill, and the Institute will carry out its programs from the funds in the request for \$18,000,000, which is the amount requested for the United States bilateral activities in Latin America.

Mr. CARNAHAN. How much of the \$18,000,000 is provided to the Institute?

Mr. IVERSON. There is no specific allotment of funds to the Institute this year. We will simply be one of the participants and the decision will be made later by Dr. Bennett and the board as to what part the Institute plays in the program.

Mr. CARNAHAN. What relationship do you have to the point 4 program?

Mr. IVERSON. Under the act of International Development passed last year, the act specifically provides that the President, and he to whom he delegates the authority, has the responsibility to direct and supervise the technical-assistance programs of the United States Government. We, being an agency carrying out a part of the technical assistance program, come under the general policy direction of Dr. Bennett as Administrator of the Technical Cooperation Administration.

Mr. CARNAHAN. Do we have programs in Latin America other than those under the direction of the Institute?

Mr. IVERSON. Yes, we do. There are a number of programs being administered by other agencies of the Government. I think it is very desirable to call upon the other agencies of the Government for the use of their technicians in assisting in the administration of programs. There are a number of departments that are working in this field.

Mr. CARNAHAN. That is all, Mr. Chairman. Thank you.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. Thank you, Mr. Chairman.

It is good to see you, Mr. Iverson.

Mr. IVERSON. It is nice to see you, Mr. Battle.

Mr. BATTLE. In 1949 I believe I was a member of the Mansfield subcommittee that held hearings and went into the possibility of extending the life and funds of the Institute of Inter-American Affairs. I would like to say that at that time I was very much impressed with the work that had been accomplished. I know of no other governmental organization that accomplished more in the same amount of time with what you had to work with. I have had no reason to change my mind in regard to that feeling.

I believe you sort of paved the way, and to me it pointed out the great possibilities that we have all over the world through this type of work.

I would like to commend you and the Institute for what you have done.

Mr. IVERSON. Yes, sir. Thank you.

Mr. BATTLE. I would like to commend Mr. Miller too, for his work. I went on a trip with him once and he taught me how to speak Spanish. Thank you.

Mr. MILLER. Thank you.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. This can be off the record.

(Discussion off the record.)

Mr. RIBICOFF. That is all.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. I am particularly interested in your agency, Dr. Iverson, because I happen to have a son-in-law who is employed by the Institute. I do not know whether you know it or not, but he is an engineer in Mexico. I think at the time he was employed you did not know he had congressional connections. I was pleased about that.

Chairman RICHARDS. The question is, "Is he a good engineer?"

Mr. IVERSON. Yes.

Mr. HAYS. Thank you. I do not know whether I would get the same answer in private, but I am pleased to hear that. My wife and I went down to see him last fall. We had intended to make sort of a sightseeing trip and it turned into a field inspection of your work because it became so interesting to us. I went out with him and I did have a chance to learn something of your work in Mexico.

I would like to talk about that in my 5 minutes and ask you some questions to clear up some vague ideas in my own mind about it.

Does Mexico generally provide a pattern for the other Latin-American countries? Would my view of things there give me a good idea of what is going on in other countries?

Mr. IVERSON. Yes, sir, Mr. Hays, it would. The same administrative technique is used. The same brand of technicians of the two countries work together. While there is some emphasis in Mexico primarily in the field of water, sewage and health centers, there is a general educational health program in that country which is a good pattern for the rest of the area.

Mr. HAYS. I have been looking over your breakdown and most of the million dollars that we put into Mexico goes into personal services, does it not?

Mr. IVERSON. Yes, sir. I can give you the exact figures on that.

Mr. HAYS. I think it would be good to have that because I am confident in my own mind we can defend this figure. I do not know a better way to use a million dollars than improving conditions at our doorstep.

Chairman RICHARDS. Have you got the breakdown of that \$1,000,000 in figures?

Mr. IVERSON. Yes.

Mr. HAYS. It is all in the chart except that I do not read it quickly as between capital investment and materials, or personal services.

Chairman RICHARDS. Yes.

Mr. IVERSON. In 1951 the total contribution to the health and sanitation program of the Institute of Inter-American Affairs was \$237,784. Of this amount \$105,264 was provided for experts or United States technicians; \$32,520 for trainees or Mexicans who come to the United States for training; and \$100,000 was the program contribution to the joint operating fund of the two countries.

Mr. HAYS. Thank you very much.

Chairman RICHARDS. Is that in the printed breakdown?

Mr. IVERSON. Yes, sir; it is, Mr. Chairman.

Mr. HAYS. I went to see the Aleman Health Center, and it seems to me they are doing a very significant work in the field of health. Do we have any money in that building, or was our contribution just technical service?

Mr. IVERSON. Under the device we use, there is a cooperative servicio or bureau created in the Ministry of Hygiene of the Government of Mexico. Into that servicio there is contributed \$100,000 which came from the United States, and the money which was contributed by the Government of Mexico. I should say the last figures that we have are for the year 1950. We have not received the final figures for the year 1951.

The Government of Mexico contributed to this same account \$350,596. In the same year, 1950, the Institute contributed to the same joint fund \$100,000. It is that \$450,000, plus prior accumulations, that is used to do all of the work, including the construction of the Aleman Health Center.

In that particular case they contributed public money for that health center, but it comes out of the joint funds.

Mr. HAYS. Do I have some more time?

Chairman RICHARDS. Yes, sir. You have two more minutes.

Mr. HAYS. I want to come back to it, if you are going to give us time after the 5 minutes.

Chairman RICHARDS. We will give you additional time.

Mr. HAYS. Thank you, Mr. Chairman. I also spent some time with Mr. Herrar at the Rockefeller Foundation center. He had planned to take us to Chapingo that day, but canceled it because of a conference with the Secretary of Agriculture of the Mexican Government, leading, we hoped, to the establishment of a program comparable to our extension service in agriculture.

Are those plans materializing?

Mr. IVERSON. To date they have not requested an agricultural program, but the discussions are still going forward for the cooperative program in the field of extension services.

Mr. HAYS. Is that not the big vacuum generally in these areas where we are carrying out the point 4 program, that is, the lack of an extension service manned by their own people to do the educational job?

Mr. IVERSON. Mr. Hays, we believe that is one of the very important areas, and we are concentrating on the extension type of service, which means getting information out to the farmer, so that the farmer can produce more on his land.

Mr. HAYS. Another thing that impressed me is the emphasis you are giving to the use of native personnel. The inclination is when we look at the total picture, which is a rather grim picture, to feel that there is not much of a resource there. However, Mr. Herrar pointed out, for example, a young Mexican who had been in the United States under the training program who is a distinguished scientist already, and because he knows Mexico is able to do a job that is historic.

You would agree that that is a vital part of this program, would you not, and that we can do nothing better than to put some money in the training of these young Mexicans to help them become scientists and leaders in that field?

Mr. IVERSON. Mr. Hays, we have found there are, in all of the countries of Latin America where we are working, very capable people. Given the opportunity and the stability that we give them in this type of program, it permits them to use their training and education and experience. I point to the figures in the case of Mexico, where in the health and sanitation program we had on June 30 this year seven Americans. In the health servicio there were 478 Mexican employees working, so they have a ratio in that particular program of seven against 478.

Chairman RICHARDS. The gentleman's time has expired. We will come back to him.

Mr. Reece.

Mr. REECE. When will it be an appropriate time to discuss rubber and some of the other strategic materials that might be developed? This is what I have in the back of my mind. During World War II a considerable rubber industry was put under way, and plans were made for some of the other strategic materials down there. I do not know which of you, Mr. Miller or Mr. Iverson, would care to talk on that.

Mr. MILLER. Mr. Iverson touched on this in his direct presentation, Mr. Reece, while you were out of the room.

Mr. REECE. I am sorry I had to be out then. I had to go to another meeting and came back as rapidly as I could.

Mr. IVERSON. I would like first to point to the figure that is being requested this year and last year's expense.

In the rubber development program for 1951 there was authorized \$320,665 for rubber research and experimental work being carried on in the hemisphere. The proposed program for 1952 is a little over twice that, or \$783,200. That money is being used primarily to pay the salaries and expenses of United States rubber technicians in working with the experiment stations, and rubber technicians of approximately 11 of the Latin-American countries in two principal fields of activity.

One, in finding solutions to the disease problems which adversely affect the rubber tree.

Secondly, in actually planting and producing rubber seedling that can be purchased by the farmers and planted on their own farms or rubber plantations in the hemisphere.

Mr. REECE. During World War II Firestone started a development program down there in rubber. What has become of that work?

Mr. IVERSON. The Firestone research work is still going on, I believe, if I am correct in that.

Mr. REECE. Do you believe they are progressing?

Mr. IVERSON. They still have a reasonably large—we do not have the figures at hand, but they have a pretty large program.

Mr. REECE. What are the prospects of having rubber down there?

Mr. IVERSON. I was recently in Central America talking to one of the rubber technicians in Guatemala, and they feel real progress will be made in the development of disease resistant trees, and in spreading the rubber trees to the small producers and small farmers all over Central America.

Mr. REECE. Then there are a number of other strategic mineral programs in South America. Is any attention or direct responsibility being assumed in trying to develop a supply of strategic minerals? Rubber is only one, but there are many other strategic materials there also.

Mr. MILLER. I would say in a great number of ways, Mr. Reece, we are paying attention to that problem. One of the most important resolutions that was adopted at our recent Foreign Ministers Conference called for some cooperative efforts in the increase of strategic materials. I have read with a great deal of interest the staff memorandum on strategic materials that was prepared in preparation for this hearing. I think it emphasizes the amount of dependence that we feel toward Latin America. Of the \$18,000,000 bilateral program we have provided for fiscal year 1952 \$800,000 for technical cooperation in connection with the development of mineral resources, as compared to \$400,000 during fiscal 1951.

Also, we are allocating \$700,000 to technical cooperation in connection with transportation. That should facilitate also the deliveries of strategic minerals to us because one of the related problems is the question of transportation of the materials from where they are in many cases. Also, the Export-Import Bank and the International Bank, in which we participate, have been very active, and will probably be more active in the future, in making loans for the development of strategic materials. They have just made, that is, the Export-Import Bank just made, a loan to a firm in Peru for the development of tungsten.

Each institution has before it—that is, the Export-Import Bank and the International Bank each have pending before them—applications for the development of very large manganese deposits in Brazil. It is interesting that both of those deposits were found through the basic investigatory and exploratory work to bring them to the stage of development, and that was done under the technical cooperation program of the Bureau of Mines of the Department of the Interior.

Chairman RICHARDS. Your time has expired. We will come back to you in a minute.

Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman.

Do you mean this \$800,000 appropriation, or planned expenditure for the year 1952 for technical assistance to develop the mines, is the reason for the increase of the appropriation or anticipated authorization from \$11,000,000 last year to \$18,000,000 this year?

Mr. MILLER. No. That is one of the items. We are doubling the amount for mineral resources, Mrs. Kelly, from \$400,000 to \$812,000.

Mrs. KELLY. By what other reasons can you justify this increase from \$11,000,000 to \$18,000,000?

Mr. MILLER. On the second page of this breakdown you will find the details as between 1951 and 1952. Fifty percent of the increase is in the field of agriculture, forestry, and fisheries. That item goes up from \$3,600,000 to \$6,500,000.

That is due, for one thing, to the fact that Dr. Bennett, who is the Technical Cooperation Administrator and who will be here before you when he returns, feels that is one of the fields in which most work can be done in Latin America.

Then, our rubber-development program has gone up substantially.

Those are the items I have mentioned. Plus transportation, those are the items in which the greatest increases will occur between 1951 and 1952.

Have you anything to add to that, Mr. Iverson?

Mr. IVERSON. No, sir.

Mrs. KELLY. That is the reason then for the increase in your authorization over the last fiscal year? There is a difference of \$6,828,970.

Mr. MILLER. Yes.

Mrs. KELLY. Due to the increase in trade to the South American countries this past year, their national income has increased in the hundreds of percent. Is that correct?

Mr. MILLER. I do not know the exact amount.

Mrs. KELLY. But it is very high?

Mr. MILLER. There has been a very substantial increase since Korea in the total dollar balance of Latin America.

Mrs. KELLY. Is it possible for them to assume any of this cost of increase themselves, since we are committed to other sections of the world?

Mr. MILLER. They will. All of these increases in our contributions will, because of the servicio technique Mr. Iverson has outlined, bring about increases in their expenditures for these programs.

Mrs. KELLY. But that does not lessen our contributions?

Mr. MILLER. No. These are the amounts of our contributions.

Mrs. KELLY. Thank you.

Chairman RICHARDS. Mr. Lanham.

Mr. LANHAM. No questions.

Chairman RICHARDS. I want to ask a question, Mr. Miller.

We are now considering a Mutual Security Program.

Mr. MILLER. Yes, sir.

Chairman RICHARDS. The European part of it is a defense program. Would you consider point 4 part of the Mutual Security Program, or is it an entirely separate activity, seeking to accomplish different ends?

Mr. MILLER. Well, I think that it is related to the over-all general objective that the Mutual Security bill is aimed at; that is, to try to strengthen the free world. I think it is in our national-defense interests that Latin America be stronger than it is, and that there be diminished

this great disparity between our standard of living and theirs, particularly since their very low standard of living makes them susceptible to Communist penetration.

When General Bolté was on the stand he spoke of the fact that some of these countries down there were not disposed to participate actively in oversea collective-defense efforts because of the feeling of remoteness from the conflict. That is due precisely to the fact that, although Communists have not penetrated into the upper reaches of government, nevertheless Communist propaganda has been very effective in many of these countries in influencing the attitudes of the governments toward what might be called neutral positions, by playing upon the sympathies and susceptibilities of the people, and emphasizing their very low standard of living in relation to ours.

Also, since strategic-materials procurement is one of our prime defense objectives in Latin America, I think it would be fair to say that virtually every item shown in the breakdown on page 2 is related in one degree of proximity or another to our over-all objective of strategic-material procurement.

Chairman RICHARDS. I thought that was your approach, but what about this now? You have several activities there, and I would like to know how you feel about consolidating those activities. What do you think about that? Can that be done without injury?

Mr. MILLER. Are you speaking about administration now?

Chairman RICHARDS. Administration.

Mr. MILLER. I am interested in the substance of the program. I think that the more coordination we can arrive at, the better. If we can cut down on administrative expenses, fine.

Chairman RICHARDS. Well, the activities are under the supervision of the State Department, including practically all of the activities going on in the Western Hemisphere outside of, you might say, those which are strictly military.

Mr. MILLER. The Technical Cooperation Administration coordinates all of the bilateral technical cooperation programs in this hemisphere which are carried out, as Mr. Iverson said, by various agencies. Any duplication between those agencies of course should be eliminated. That would be fine. That has been an objective of ours.

Chairman RICHARDS. That is what I understood, and I just wondered whether you had accomplished about as much of that as you could without hurting the program. That is the reason for my question.

Mr. MILLER. I would prefer that you would ask that of Dr. Bennett when he arrives here.

Chairman RICHARDS. All right. Are there any other questions?

Mr. REECE. If I may.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. Mr. Miller, to what extent are you able to satisfy the Latin-American Republics with this relatively small amount that is proposed to be allocated to them in comparison, as they would say, to the very large amounts that are being given to other countries?

Mr. MILLER. Now we have the other side of Mrs. Kelly's question. She asked why we have to give this much to them, when they have inflated dollar earnings. There is no doubt there has been some comment throughout Latin America and on the part of friends of Latin America in this country, Mr. Reece, to the effect that to devote

three-fourths of 1 percent of our total appropriation to this very important area is too small.

I think the main difference between this area and the other areas is that, as far as the need of capital-investment programs is concerned, we feel that those can be handled or should be handled by private initiative. A substantial amount of new-dollar investment has gone into Latin America since the war. We expect more will go in. To the extent that is not taken care of by private initiative we feel capital-investment programs should be handled on a loan basis, rather than on a grant basis. For that purpose there are ample funds available in the International Bank and in the Export-Import Bank, and I should make note of the fact that the administration requested an increase in the funds of the Export-Import Bank at this session of Congress.

Chairman RICHARDS. Are there any other questions?

Mr. HAYS. I would like to ask a question and I think it can be off the record.

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Mr. HAYS. On the record, I would like to ask Dr. Iverson about the problem of coordinating these programs. You see, we have a mixed picture. We have the institute, which is a Delaware corporation, you say?

Mr. IVERSON. It was originally, but today it is a corporation created by act of Congress.

Mr. HAYS. Yes. I remember our Banking Committee handled that. We made it a Government corporation. Also, we have point 4, and so on.

Now, administratively, do you think we need to make some improvements in that, so that we do not have this multiple approach? For example, take the foot-and-mouth-disease campaign. Has that been concluded? That is under the Department of Agriculture; is it not?

Mr. IVERSON. As to the program in Mexico, I think you could say that the hoof-and-mouth disease has been eradicated, and only a maintenance program is going on there now, to make sure that any outbreak will be taken care of. It has been successful.

Mr. HAYS. There was coordination at the Mexico City level with your program?

Mr. IVERSON. Yes.

Mr. HAYS. What is your answer to the problem of improving coordination of the various programs? I have selected Mexico, which is typical.

Mr. IVERSON. First, Mr. Hays, I would like to have the record straight. I am not a doctor, but I am just a plain "mister."

There is coordination on the country level that I think is pretty effective at the present time. First, through the American embassies and the staff of the embassies the ambassador has jurisdiction over all the programs in the country. Our people operate under continuous instructions in two fields, in effect. One, to find out what the other people are doing so that we can cooperate with them; and, secondly, cooperate not only with the United States agencies that are there but also with the multilateral agencies of the United Nations groups.

There may be areas of improvement, but Dr. Bennett is Administrator of TCA, and I am confident he has that continuously in mind.

Mr. HAYS. That is all, Mr. Chairman.

Mr. IVERSON. Mr. Chairman, I would like to supplement an answer to Mrs. Kelly's question, if I would be permitted to do so.

Chairman RICHARDS. Fine.

Mr. IVERSON. She raised the question as to whether these countries are going to contribute more because of their increased dollar earnings. I think the figures over the years in the development of the program and philosophy of the program definitely provide for the countries to increase their contributions.

I have figures before me here which show the total contributions for the Institute and the local governments, and they start from 1943, when the program was started.

The contributions of the local governments in 1943 were \$1,644,000. Last year 1950, which is the last year for which we have figures tabulated—and that is one gage to the effectiveness of the Institute program—the contributions were up to \$10,967,000.

The ratio in 1943 was about \$3 from the United States to \$1 of the Latin-American countries, but on the program contributions to these programs in 1950 the ratio was \$1 from the United States to \$8-plus from Latin America. That is only for the Institute programs.

In addition to that, the effect of the programs on the governments is that they are rapidly increasing their budgets for agricultural development, health, sanitation, education, and transportation, so that they are using their increased revenues very effectively.

I think that to some extent, as a result of the work we have been doing in the Latin-American countries, they have seen the desirability of using more and more of their revenues for these basic services. I do not have the figures before me, but in Chile the public-health budget went from 33,000,000 pesos up to 233,000,000 pesos. That is about 10 times in a period of 6 years, so that not only are they putting more money into the United States cooperative programs, but also into their own related programs.

Mrs. KELLY. That is the general pattern of all these programs; the initial cost is high.

Mr. IVERSON. Yes.

Mrs. KELLY. But I just wondered in the light of their increase in income why they could not assume some of it, or a greater amount of it.

Mr. IVERSON. I think the answer is that they are.

Mr. MILLER. There are also other uses to which the increased income can be put, and is being put, primarily for capital-investment programs.

Mrs. KELLY. Thank you.

Chairman RICHARDS. Thank you very much, gentlemen, for your appearance here this morning. I am sure your testimony will be very valuable to us.

The committee stands adjourned until 7:30 tonight.

(Whereupon, at 12:15 p. m., the committee adjourned until 7:30 p. m. of the same day.)

NIGHT SESSION

The committee met in the House Foreign Affairs Committee room, the Capitol, at 7:30 p. m., Hon. A. S. J. Carnahan (acting chairman) presiding.

Mr. CARNAHAN (presiding). The committee will come to order.

Our first witness this evening is one of our colleagues, Congressman Charles J. Kersten, of Wisconsin. We are always glad to have our colleagues with us and to appear before the committee.

Congressman, you may proceed as you desire.

**STATEMENT OF HON. CHARLES J. KERSTEN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF WISCONSIN**

Mr. KERSTEN. Thank you, Mr. Chairman.

Mr. Chairman, I deeply appreciate the opportunity to appear before the committee on this most important measure.

The Soviet threat is the avowed reason for this \$8 billion program. But the prospectus furnished by the executive department fails to recognize the genesis and nature of this threat. It treats this crisis—one of the greatest of all time—as one without cause.

Of course, we have to become militarily strong and so do the rest of the free nations. But unless we direct our efforts toward removing the cause of the Soviet danger, those efforts are likely to be for naught.

The proposal of the administration is little more than a long-term armaments race.

Because it has murdered over 40,000,000 of its own citizens, the Soviet regime is forced to devote most of its economy to the weapons of the police state and of war. Otherwise every one of the members of that regime would probably be strung up by his own people for the arch criminal that he is.

Is the best answer of the free nations to this threat nothing more than to arm in defense against the peoples of the Soviet Union whom the tyrants of the Politburo have enslaved? If this only is our course, then world war III is virtually guaranteed.

The chief victims of communism are the peoples behind the iron curtain. Slave labor camps, perverted courts of justice, and over-worked execution squads have forged a potential resistance to communism that the free nations have given little thought to. These peoples can be our greatest allies against the regime that threatens the peace of the world.

Statements made not long ago by our Secretary of State indicate we have abandoned these greatest allies of all against communism—the 800,000,000 victims of the police state—and that we are content that the world be half slave and half free.

On March 16, 1950, at the University of California, Secretary of State Acheson said:

However much we may sympathize with the Soviet citizens who for reasons bedded deep in history are obliged to live under it, we are not attempting to change the governmental or social structure of the Soviet Union.

On April 22, 1950, in Washington, D. C., before the American Society of Newspaper Editors, the Secretary of State said:

We do not propose to subvert the Soviet Union. We shall not attempt to undermine Soviet independence.

Ladies and gentlemen, I believe that unless the Soviet regime is undermined, subverted and overthrown it will bring us war.

We must frankly face the fact that blundering and tragic steps in American foreign policy have helped to make the Soviet threat what it is. The tragic steps we have taken, and the mistakes we and the rest of the free world have made and continue to make, give the Communist peril much of its character and strength.

If we are to cope with this peril we must retrace some of those steps and cease dealing with the Soviet regime and its satellite states as though they were legitimate governments.

One of the first dynamic errors that gave the Communists the opportunity to draw upon the technical accomplishments of the civilized world and pervert them to their own aggressive designs was the recognition in the year 1933 by the United States of the Bolshevik regime as the legitimate government of the Russian people.

We had known all along that this same Bolshevik clique perverted the freedom that the Russian people had gained in their democratic revolution in February of 1917, when in January 1918 this ruthless clique drove the duly elected constituent members from the Assembly in St. Petersburg with bayonets and from that time until now they fastened and maintained chains of slavery on the Russian people.

Further tragic errors on our part occurred during the late war when our military strategy was blunted by American diplomatic deference to Stalin's postwar plans for the control of Eastern Europe.

Agreements made by us at Tehran, Yalta, and Potsdam were major Soviet diplomatic victories—and major American diplomatic defeats.

American postwar policy in China sought to force a coalition in the government of China between the Chinese agents of Moscow and the Chinese Nationalists. This helped Communist armies drive the Chinese Nationalists from the mainland and put China behind the iron curtain.

The bitter fruit of these mistakes in American foreign policy is the reduction of the eastern European nations and of China to the status of Soviet satellites. And it is precisely because it has these satellites, precisely because it holds a guilty subversive hand on Eastern Europe and upon China, that Soviet Russia constitutes the world danger against which we arm.

If the Communists had not gained control of China there would never have been a Korean War. And we helped her gain control of China. If the Communists did not hold Eastern Europe there would be no point in General Eisenhower raising a European army. And we helped her gain control of Eastern Europe.

Yet, our top policy makers seem content to legitimatize these criminal Soviet conquests. We recognize most of the stooge Soviet regimes of Eastern Europe, and there is an indication that we may recognize the Red government in China after Korea is settled, if a majority of the United Nations vote to seat the Red delegates.

As long as Soviet Russia holds Eastern Europe and China, she will be a threat to world peace.

We must, therefore, take steps toward the liberation of Eastern Europe and of China to avert all-out war between the peoples of the free world and the peoples of the Soviet Union. We must take steps to isolate the Soviet regime from the society of nations, and, when the

proper time comes, help the Soviet people liberate themselves from their enslavement.

First, we should withdraw recognition from the Communist regime of Moscow. We should also bring our full weight to bear to force the expulsion of the Communist regime from the United Nations.

In examining the state papers that were the basis for our recognition of Soviet Russia, I find in the letter of Mr. Roosevelt, dated October 10, 1933, to Mikhail Kalinin, President of the Soviet Union, the paragraph that states the essential purpose of our recognition of Soviet Russia. It is as follows:

It is most regrettable that these great peoples, between whom a happy tradition of friendship existed for more than a century to their mutual advantage, should now be without a practical method of communicating directly with each other.

That is from the letter of President Roosevelt. Kalinin's response was as follows, in part:

I have always considered most abnormal and regrettable a situation wherein, during the past 16 years, two great Republics—the United States of America and the Union of Soviet Socialist Republics—have lacked the usual method of communication and have been deprived of the benefits which such communication could give.

The history of the relations of the two peoples since 1933 shows, however, that since that time the peoples of the Soviet Union have been held incommunicado from the rest of the world. Even prisoners in a penitentiary have a visitors' day when they may talk with people from the outside, but it is now actually a felony in Soviet law for the average Russian citizen even to converse with a foreigner.

So the basic reason for recognition—communication between the peoples—does not exist. The American Ambassador and his staff in Moscow are virtual prisoners. The Soviet Embassy and consular offices in the United States are largely centers of espionage. The peoples of the Soviet Union have absolutely no means of communicating with the people of the United States.

Continued recognition by us and dealing with them in the United Nations merely gives a respectable cloak to the paranoic purposes of the Communists to subvert and conquer the world.

Secondly, we should withdraw recognition of the Soviet satellite governments of eastern Europe. Every one of the satellite embassies here in Washington is likewise little more than a potential center of espionage. They certainly in no sense represent the people of Poland, Rumania, Czechoslovakia, or Hungary, or the others. Each one of these diabolical—I say the word advisedly—satellite regimes seeks to crucify the Christian peoples of eastern Europe on the cross of atheistic communism.

Third, we should take steps to give dignified asylum to the refugees from behind the iron curtain.

Fourth, we should help form eastern European nationals, available for military service, who have escaped from behind the iron curtain or who will in the future escape, into their own national units to be attached to the European Army.

Fifth, we should let the people behind the iron curtain know that we will do everything we can to work for their eventual liberation.

Sixth, when the time is opportune we should actually assist the people behind the iron curtain to liberate themselves. The time for

assistance of this type may already be ripe in China, and it may be too late 6 months or a year from now, with the execution squads continuing in the main cities of China.

By redirecting our policy with regard to eastern Europe and China, we can demonstrate to the world that America is not motivated by a mere groveling fear, that we can do something more than assume a mere posture of defense. Ten years or more of mere armament for defense—especially with the tenor of this measure as drawn by the Defense Department—10 years or more of mere armament for defense would probably give us military arthritis.

By so redirecting our policy we can demonstrate to the world that we stand for principle and morality among nations. Such a redirection, though it means retracing our steps, would put us on the path of real moral leadership.

One word more as to the amount asked in this bill by the executive department: I have no way of knowing at this time the cost or extent of military requirements that it would be advisable for us to furnish other countries, but I suspect, however, that the amount is highly excessive.

I suspect also that much of the thinking of the project has been done by that band of bright young men in the lower echelons of the State Department who secretly tell one another that socialism and the Socialist elements in foreign countries are the chosen instruments to save democracy.

But I do not think that this committee will be taken in by that feeling. I am sure that every member of this committee will act solely from purely American viewpoints.

Mr. CARNAHAN (presiding). We will go around and give everyone a chance for questioning if they care to do so.

Mr. Vorys?

Mr. VORYS. You made a very comprehensive review of our foreign policy and pointed out some of the reasons for our present failure, Mr. KERSTEN, and it is extremely helpful.

On your six points as I have heard you give them, and skimming over them in your written statement, it would appear to me that there is only one of them that might have a place in this pending legislation. That would be to form cadres from east European nationals for military service in the European army.

Now as you know, according to the papers there is talk that a five-nation European army is being proposed.

I wonder if you have given any thought to the way in which a requirement or authorization for that might be put in this legislation.

Mr. KERSTEN. Well, Mr. Vorys, as to the precise juridical or international legal situation, I suppose there may be certain difficulties, but I think they are difficulties which should not stand in the way of setting up such cadres.

Under the present law, as I understand it, such people might be incorporated in the American Army. But I think it would be much more effective for propaganda purposes behind the iron curtain were such people formed into cadres where they would be recognized as to where they were from; in other words, Czechoslovak people, Slovaks, Hungarians.

Mr. VORYS. A Polish Legion, for instance.

Mr. KERSTEN. Polish Legion and that sort of thing.

It seems to me that we should cut through any juridical difficulties and actually help such units to be formed and attached to the NATO.

Mr. VORVA. I thoroughly agree with you, and I know this: That if there were a way to do that, to let them preserve their national designations through regimental flags and patches or something or other, as no doubt the units in the European Army might even do, though they might have uniforms that were all the same, the saving in money would be considerable over bringing them into the American forces where we have a far higher standard of pay and maintenance than they have in all the European countries.

So your suggestion would be one that would have great propaganda force because it would have great moral force, and I think it would also be a measure of sound economy.

Mr. KERSTEN. Yes, sir.

Mr. VORVA. And I hope you will think along with us in the way that that might be written into this law.

Mr. CARNAHAN (presiding). Congressman, you didn't have the idea of taking these people into any one of the national armies of Europe, into an army that would be a French Army or Belgian Army or British Army, did you?

Mr. KERSTEN. In a sense that is correct, Mr. Chairman. It seems to me that by taking in these nationals, say into the American, French, or the other armies, we would thereby lose a great deal of the propaganda potential.

If they are formed into units like, say, Polish legions or Hungarian legions, and designated and operated as such under the proper command, to be connected with the free forces, it seems to me it would have a tremendous propaganda value. In other words, it would be something which the average person in Hungary or Poland could see a picture of or hear described particularly.

It would be simple and I think much more valuable propaganda-wise.

Mr. VORVA. If I may be indulged for a minute: In our own armies we have now hit upon the idea of preserving the identities of outfits, such as the Thirty-seventh Division, which happens to be the Ohio Division with a history now of some years. And there are many other divisions that have a tradition and an association.

It is true they are issued the same arms and the same uniforms, and the chain of command does not recognize this divisional identity. But the morale inspired by having such divisions in our own forces is a good thing.

It seems to me that we could do two things: One is go forward with this European Army, which I happen to think is a great idea, and five nations have representatives that have agreed to it; but put into it cadres of proper size, and so forth, who would be subject to the Army discipline but would be identified by their source.

Mr. CARNAHAN (presiding). From what source would an army of this type get its equipment and its pay and its housing and its food?

Mr. VORVA. I presume, Mr. Carnahan, that that is one of the things that they have worked out under General Eisenhower for this European Army, where they are to have similar uniforms and a unified command. And it would be supported through contributions of the European countries—and, I suppose, would end up with a contribution from the United States.

Mr. CARNAHAN (presiding). Well, I was thinking that if you were to have much of a European Army, our contribution might have to increase. Those soldiers would have to be paid and housed and fed and clothed.

The American units in Europe at the present time are still on the American payrolls.

Mr. VORYS. I dragged out of the Army, in 1949, some figures which I put in the record, which showed that on the average a European soldier could be equipped and put in the field and maintained there for a third of what an American soldier would cost in dollars.

Mr. ZABLOCKI. That is under European command.

Mr. VORYS. Yes.

Mr. CARNAHAN (presiding). And aid through European governments.

Mr. VORYS. Yes.

Now I think the discrepancy is even greater than a third. But if the Europeans would band together and support such cadres, recruit them, and we would possibly contribute the arms and they would contribute the troop pay, and maybe uniforms, it seems to me you have a great possibility there.

Mr. ZABLOCKI. There are always a lot of difficulties. We have our difficulties now with all armies.

Mr. CARNAHAN (presiding). There would certainly be a lot of details to work out.

Mr. ZABLOCKI. Mr. Vorys, don't you think the law passed in the Eighty-first Congress provides that units would be admissible under certain conditions?

Mr. VORYS. It was 2,500 then. I think it has gone to 25,000 now.

Mr. ZABLOCKI. Eligible to fight under the American flag.

Mr. KERSTEN. An American army, but they would not be eligible as American citizens though.

Just to say one word on the remark that you made, Mr. Chairman, it seems to me that if such individuals were taken into such an army, it would necessarily cut down on the necessity for the number of American troops that would be required without them.

But much more important than that is the fact that such individuals—Poles, Hungarians, and others—when fighting under their own identity, it seems to me, would be a terrific shaft at the iron curtain that would have tremendous propaganda value and be very unsettling for the regimes of Poland and so on. And therein lies its great value.

Mr. CARNAHAN (presiding). Mr. Zablocki?

Mr. ZABLOCKI. I certainly want to welcome our colleague from Wisconsin, and I think we can agree with certain provisions in his testimony and some of the ideas he has presented.

However, I personally feel that the testimony is more applicable to the resolutions that you have introduced which are now pending before our committee as to the termination of diplomatic relations with the Soviet and satellite nations than it is to the mutual-defense bill that we are considering now.

You certainly are not in opposition to the defense bill?

Mr. KERSTEN. Well, I feel that if the bill or the measure were to be set up as indicated by the data and material furnished by the executive department—that is all I have seen, of course—it would be largely for naught. I think there has to be added to that—

Mr. ZABLOCKI. Certain policy provisions!

Mr. KERSTEN. Certain policy provisions that, instead of constituting a purely defensive armaments race, should be pointed toward the liberation, particularly of the eastern European countries, and of China.

Mr. ZABLOCKI. Is it your view then that our foreign policy should be to change the governmental or social structure of nations by force, as you imply here?

Mr. KERSTEN. I would say that we should do all we can to assist these enslaved peoples at the proper time to overturn their own regimes by force if necessary.

Mr. ZABLOCKI. At the proper time and timing is essential. I agree with you that we should assist.

Mr. KERSTEN. And I think right now in China that situation may be ripe, and it may not be ripe for too long.

Mr. ZABLOCKI. The reason for my question is your statement on page 2:

Unless the Soviet regime is undermined, subverted, and overthrown.

Mr. KERSTEN. Right. Not that we would overthrow it, but that we would do all we can to assist the people enslaved to overthrow these regimes that enslaved them.

Mrs. KELLY. Have you any suggestions as to how we could bring that about?

Mr. KERSTEN. Well, I think one thing we should do, right off, that we can do, is to terminate diplomatic relations with all these regimes. Right now we are recognizing them as legitimate governments. I think that by that action on our part, while many people in the diplomatic circles may feel that it does not mean too much, nevertheless the ordinary person, the average citizen, the average Pole, Hungarian, and the rest, feels that it means that we think they are the governments, the real governments, of these people, that we have abandoned them to these governments, which in a sense we have now.

So I think that one thing we can do right now is to cut through the diplomatic froth and false facade, and call these regimes actually what they are and let the people know what we think of them.

Mr. ZABLOCKI. Are you not in effect defeating the very purpose you have in mind when you state that—

Even prisoners in a penitentiary have a visitors' day when they may talk with people from the outside—

when you advocate termination of all our relations, diplomatic and otherwise? If you are going to cut off diplomatic relations, you are then cutting them off from the free world entirely.

At least now we have an opportunity to study them if we have missions or embassies in these satellite countries, and we have an opportunity to observe them, to observe the governments that are enforced on these people. But if you are going to withdraw recognition and terminate diplomatic relations these nations are left to the complete influence of the Soviets.

Mr. KERSTEN. I do not agree with you, Mr. Zablocki.

Mr. ZABLOCKI. Nothing would please the Soviets more than if we made the iron curtain more absolute.

Mr. KERSTEN. Well, I think that by maintaining diplomatic relations with them we are letting the people think, letting the Poles and

the other peoples think, that we recognize the governments as legitimate governments of these peoples, which they are not. And I do not think our Embassies there are listening posts as you imply. I think that our Ambassadors there and their staffs are virtual prisoners in the Embassies.

Mr. ZABLOCKI. They may be prisoners to an extent, but they are listening posts. Mr. Kersten, when visiting in Europe and Hungary in 1949 it was my observation that because we had a mission in Hungary we were better able to understand the conditions of the Hungarians living under the Communist regime. Our diplomatic mission made possible the little information services that were offered to these Hungarians. They could learn nothing of our efforts toward peace and freedom if we did not have that mission.

Mr. KERSTEN. That might have been true 2 or 3 years back, but I think the condition is tightening in Hungary and Poland.

Mr. ZABLOCKI. If we should, as you advise, withdraw and close these diplomatic contacts we have in these satellite countries, you are going to shut off the oppressed peoples completely, shutting us off from learning about them, and shutting them off from learning about us.

Mr. KERSTEN. I would like to ask you a question: Do you think that any of these regimes actually represent these people?

Mr. ZABLOCKI. Oh, no. Everybody knows they are not representative of the people. These governments represent the minority of the people, a very, very small minority.

Mr. CARNAHAN (presiding). But they are the existing governments of the countries at the present time.

Mr. ZABLOCKI. May I just ask one more question, Mr. Chairman.

Mr. CARNAHAN (presiding). Yes.

Mr. ZABLOCKI. What effect would our not recognizing these governments have? Would that cause these governments to cease, or disintegrate? They would still exist, would they not?

Mr. KERSTEN. I think we should not recognize them for the same reasons we do not now recognize Red China, and the same reasons we did not recognize Soviet Russia from 1917 to 1933.

Mr. VORYS. Gentlemen, in 1931, under Secretary of State Stimson, we adopted a doctrine of nonrecognition of governments that took over by force. We were laughed at as being non-realists in some parts of the world, but we never recognized Manchukuo.

Now we have reversed that and we have recognized these governments that took over by force, Poland and the rest of them. The reason given publicly is that we can have a public spy, a listening post, and a peephole in the middle of that country.

I want to say that I thoroughly agree with the gentleman that our past experience has shown that the high moral standard was the preferable one, and thank goodness we are following it as far as China is concerned.

Mr. KERSTEN. I agree with the gentleman.

Mr. ZABLOCKI. I want to say that some countries, Mr. Vorys, were not taken by force, but through trumped-up elections. I would like to see some way of withdrawing our recognition. But at this time we would not be helping the people of these satellite countries. We would be leaving them to their present fate by following the recommendations just presented.

Mr. CARNAHAN (presiding). Mrs. Bolton?

Mrs. BOLTON. I appreciate your being here. You are always a very stimulating thinker and a charming person.

In your third point here where you say "we should take steps to give dignified asylum to the refugees," just what do you mean by that?

Mr. KERSTEN. By that, Mrs. Bolton, I mean this: In looking into the situation somewhat, as one who is far removed from the European scene, it is my understanding that there are quite a few refugees from behind the iron curtain who are tossed from one place, from one country, to another in Western Europe, who make their escape. And they do not find things too well so far as getting along. There is no status for them.

I think that the European nations and ourselves should get together and formulate a policy with regard to these refugees so as to make it actually attractive to them to make their escape so that they will, where possible, be taken care of. The more people that we can get from behind the iron curtain and the message concerning whom can be sent back behind the iron curtain, that the world beyond is not the hell that is painted by the Soviets, the more we can weaken the Soviet regimes. That is our No. 1 objective.

Mrs. BOLTON. What would you say would be necessary in the way of machinery to screen those peoples so we would not be running the risk of bringing over a lot of very thoroughly trained Communists?

Mr. KERSTEN. Well, that of course would be a practical problem, but I do not think it would be an insurmountable one.

Mrs. BOLTON. We cannot get behind the iron curtain to do our screening there.

Mr. KERSTEN. No; that is true.

I recall reading not long ago, that the Soviet garrison in one of the satellite countries—I do not recall which one, it was last spring sometime—revolted and they were wiped out by a tank division that was sent down there to do that.

And simultaneously, in the same country, I believe it was 400 cadets that were shot because they also revolted. Now if they had known that they could have made their escape from behind the iron curtain some way or other and be taken care of, they would be tremendously valuable propagandawise.

I think, for example, a place like Spain might be induced to furnish an area, a place still on the European continent, behind the Pyrenees somewhat safe, somewhat of a refuge. They might be persuaded to set aside an area to take care of some of these people. Their care could be provided for jointly by the free nations, including us.

I would like to see if possible several divisions defect from the Soviet armed forces; and once that sort of thing began to happen, then you would begin to bore into the basic structure of the monolithic Soviet system, I think.

Mrs. BOLTON. Of course after years of study on Communists and communism, part of which have been years on a subcommittee of this committee, I would be very reluctant to trust any such divisions. Real Communists are trained so very thoroughly in what one might call camouflage. And we have not learned to differentiate. We did not know when we turned people back on those bridges in Eastern Europe when they wanted to come out of Russia, and forcing them

back in because we had absolutely no understanding whatever. I think we can be so very ignorant.

Mr. KERSTEN. I agree.

Mrs. BOLTON. I am all for helping the people who are continuing to have a feeling of unrest under Mr. Stalin. As a matter of fact that is one of the most encouraging things that is going on.

Mr. KERSTEN. I think what you say about turning the people back is certainly true.

Mrs. BOLTON. It mars our own record.

Mr. KERSTEN. Recalling what might have been done in that case if they had been kept in the West, that is something in the nature of what I think could even be done now.

Mrs. BOLTON. I think perhaps there is more feeling building up over there than we realize. Certainly I am in whole agreement with your feeling that we must be ready for the moment when those uprisings may take place, to give them the encouragement that they do need.

Mr. KERSTEN. I think that inasmuch as this project is primarily and almost solely directed at the Soviet threat, it should be oriented at the liberation of Eastern Europe and China.

Mrs. BOLTON. Mr. Chairman, may I ask one more question?

Mr. CARNAHAN (presiding). Yes.

Mrs. BOLTON. What makes you feel that the moment is now in China?

Mr. KERSTEN. Because of the almost daily reports that come from China that there are large numbers of people being executed in the various cities of China. It would indicate that resistance is pretty widespread throughout the entire area.

Mrs. BOLTON. It is a pretty big area.

Mr. KERSTEN. Yes; it is a pretty big area, and personally I believe that if Chiang Kai-shek were aided with material whereby in the not too distant future he could parachute large numbers—small groups but a large number of them—into various parts of China, it would stand a pretty good chance of rolling back the Soviet hold on China.

Mrs. BOLTON. I do not know what the percentage is between military and economic help in this bill, but do you feel that the import of this bill should be more military and less of the economic help?

Mr. KERSTEN. For the moment, that is, in this time we are in now, I think the military is the more important.

Mrs. BOLTON. Thank you, Mrs. Kelly, for allowing me to run over my 5 minutes.

Mr. CARNAHAN (presiding). Mrs. Kelly?

Mrs. KELLY. I want to join my colleagues in welcoming you here, Mr. Kersten. I think it is most helpful to learn the opinions of our fellow members.

I have several questions. I hope I have time for them.

Mr. CARNAHAN (presiding). We will give you a long 5 minutes, Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Carnahan,

Do you believe we should attempt to change the governments of other nations before we attempt to accept them as our allies?

Mr. KERSTEN. Before we accept the peoples, do you mean?

Mrs. KELLY. The governments.

Mr. KERSTEN. Will you please repeat the question?

Mrs. KELLY. Do you believe we should attempt to change the governments of other nations before we attempt to accept them as our allies or give them assistance? For instance, Spain, Tito?

Mr. KERSTEN. Well, I was going to say before I concluded that I would like the privilege, if I may, of furnishing a statement with regard to Yugoslavia, and I will have it prepared tonight if that is possible, Mr. Chairman.

Mr. CARNAHAN (presiding). Without objection, you may file the statement and it will become a part of the record.

Mr. KERSTEN. Substantially my feeling is this: that we must be extremely wary of dealing with Yugoslavia. I think that the Tito regime is not in a position to drive a sharp bargain with the United States. I think the Tito regime is on thin ice, and I am extremely doubtful that the people of Yugoslavia are behind the Tito regime.

I have heard many people say that the majority of Yugoslavs dislike Tito even more than Stalin, and I think it is true that Tito also has a Communist state, a police state.

But there is the practical situation that we now have where there is a defection between Tito and Stalin, and it may be useful to us, useful to the free world, and even useful to the Yugoslav people temporarily to do everything we can to widen that rift.

I think any help that we give Tito—and this I think is important—should be on certain definite conditions, and even though he may say that “we will accept no conditions or we will not accept this, that, or the other condition,” there are certain definite conditions we should insist upon.

Among them I think is that we should insist on religious liberty in Yugoslavia.

Mrs. KELLY. The basic freedoms?

Mr. KERSTEN. The basic freedoms, yes. And of course he will have to go a long way before he performs those conditions, from what I hear about Yugoslavia.

Mrs. KELLY. In other words, to be realistic at this point, do you think we should give Tito aid on the condition that he accept the basic freedoms?

Mr. KERSTEN. That is right. But definitely on conditions.

Mrs. KELLY. I would like to cut off diplomatic relations with Tito unless he permits the basic freedoms.

Mr. KERSTEN. Well, it may be that military people and those who have more direct information know or feel that the Yugoslav divisions would not fight under Tito, and if that were the situation there would be no point in giving aid to Tito. And it may be that giving aid to Tito might help to strengthen his police state hold on the Yugoslav people, which I would be against.

The conditions that we should lay down should be such that these things could not be done.

Mrs. KELLY. Well, you also believe, then, that we should be realistic in our approach to assistance to any country?

Mr. KERSTEN. Definitely.

Mrs. KELLY. And if from our vantage point it is necessary to assist that government from a standpoint of security for the United States, you would agree with us on that?

Mr. KERSTEN. If we can do it without abandoning principles.

Mrs. KELLY. Then we may not necessarily at this time be able to sever our connections or cut off our diplomatic association with nations because it is beneficial to the security of the United States that we maintain them at this time?

Mr. KERSTEN. I believe it would be to the betterment of our security to cut off those relations.

Mrs. KELLY. Then we would have to cut off Tito?

Mr. KERSTEN. I do not think that Tito is in the same position as the satellites. He is not at present a satellite of Moscow.

Mrs. KELLY. Then you do not fear nationalistic communism as much as you do communism which is Moscow-directed?

Mr. KERSTEN. I fear it in the long run, but not in the short run. I do not think that there is much of a chance right now, as circumstances exist, that Tito would be a world conqueror.

Mrs. KELLY. Well then, would you accept the statement in our foreign policy that it is expedient for the security of the United States at this time to assist Tito, while we do not accept his form of government?

Mr. KERSTEN. I would say that in laying down these conditions we would probably change to a certain extent his form of government. I believe that our assistance should be more directly to the Yugoslav people.

Do you see what I mean?

Mrs. KELLY. Yes, Mr. Kersten. We are actually hoping to help all people to attain their God-given right but do you believe that we should accept Franco at this time without asking him to change his form of government?

Mr. KERSTEN. Well, I think that before his death Admiral Sherman apparently, from news reports, had persuaded Franco to make certain changes there. Just what they were I do not know.

I do not think that there is anything in the Franco government that constitutes potentially, or even in the long run, any world danger. I think there has been a great deal of misrepresentation on that score by the leftist governments, by leftists the world over.

I think if Franco had not beat his opposition in the Spanish Civil War, Spain today might well be a Moscow satellite. And that would be very bad for Europe.

Mrs. KELLY. In other words, if a dictatorship lives up to its international commitments you would accept it?

Mr. KERSTEN. Well, I think in substance that would be true if one of those international commitments were to deal substantially fairly with its own people.

Mrs. KELLY. Have I time for one more question, Mr. Chairman?

Mr. CARNAHAN (presiding). One more.

Mrs. KELLY. Do you believe at this time that we should declare war on Red China?

Mr. KERSTEN. I think we are at war with Red China, have been and still are.

Mrs. KELLY. But I mean a declaration by Congress.

Mr. KERSTEN. Frankly, I do not know whether a declaration of war would put us in a better position to defend our rights and to repel invasion. I am inclined to think that the proposals made by General

MacArthur which were not declarations of war but to take certain additional steps effectively to oppose Red China, to me, as a layman, sound better than the measures we have taken.

I do not think there was the danger that was indicated that Soviet Russia would rush into this war.

But I speak only as a layman, not as a military man, certainly.

Mr. CARNAHAN (presiding). Mr. Herter?

Mr. HERTER. I have no questions. I just want to thank our colleague for coming here and giving us his views.

Mr. ZABLOCKI. I have just one more question, Mr. Kersten. If we should include the political ramifications that you advocate in your statement on the Mutual Security Defense Act we are now considering, what effect would that have in the NATO nations as to our status there, or the status of the entire United Nations?

Mr. KERSTEN. Well, Mr. Zablocki, I think that up till now we have been adopting the policy of trying to sound out, by putting our ear to the ground you might say, to find out how the various nations of the United Nations feel or how they would react. I think our prime motivation should be first to ascertain for ourselves what the right principle is in international morality and international dealings, and then after discussing it with our allies, unless we could be persuaded that it was wrong in principle, and wrong practically, we should go right ahead and assume the leadership.

Mr. ZABLOCKI. Go it alone?

Mr. KERSTEN. I think we should assume the leadership, and by assuming the leadership we would then get the maximum help from our fellow nations in the United Nations.

I think right now that this idea of "go it alone," and this conflict of thinking along that line, is unrealistic. I do not think any one of those nations would break away from the United States. They could not afford to for their own safety.

I think we should assume leadership based on proper principles, and I think these nations—most of them are Christian nations, most of them oriented in the proper direction—would shake away from their own selfish positions and follow the leadership of the United States.

I do not think there is any danger of our having to go it alone in this thing.

Mr. ZABLOCKI. There are some charges that we have difficulty in getting the European nations to join in our collective security program today. Now, if we are going to include these ramifications do you think they would be willing to go along?

Mr. KERSTEN. I think they emanate mainly from the leftist and socialist elements in these countries. Take in the question of Spain, for example: Long ago we should have insisted that Spain be included in the Atlantic defense set-up.

Mr. ZABLOCKI. I agree with you and include Turkey and Greece.

Mr. KERSTEN. France and England objected right along, and still do. I think that if we assume the moral leadership they will follow.

Mr. ZABLOCKI. I have no further questions.

Mr. CARNAHAN (presiding). If we have no further questions, we thank you for your appearance.

Mr. KERSTEN. Thank you, Mr. Chairman.

(The statement referred to is as follows:)

CONTINUATION OF TESTIMONY OF CHARLES J. KERSTEN

AID FOR YUGOSLAVIA

The Mutual Security Program for 1952 proposes to render aid to various countries including Yugoslavia. It is with respect to this aid to Yugoslavia that I wish to direct some of my remarks. The proposition of aid to Yugoslavia requires particular study and attention because of the fact that Marshall Tito operates in Yugoslavia a police state basing its power on the use of force and terrorism. The immediate question then arises:

In our effort to protect our own American people are we morally justified in rendering aid to this tyrannical regime? We must clearly remember that the people of Yugoslavia in all their history have probably never been subjected to a more frightening reign of terror than now exists in Yugoslavia, and the regime which has created this tyrannical situation was born and weaned with the aid and assistance of the United States. We Americans will some day be obliged to answer to our Creator for the part we played in helping to impose this reign of terror upon the people of Yugoslavia.

If today, in rendering further aid to Tito's regime, we merely insure his continuance in power and thus postpone or further lessen the possibility to the people of Yugoslavia of the return of their inherent rights and freedoms we cannot be morally justified in giving him aid under the proposed Mutual Security Program for 1952. And this is true regardless of how much this aid may protect our own country, for clearly we cannot buy our security at the expense of the rights and freedoms of the people of Yugoslavia. A good end can never justify an evil means.

Nor can we regard the action taken in passing the Yugoslav Emergency Relief Assistance Act of 1950 as a proper precedent to justify sending economic and military aid to Tito. In that particular instance the question to be determined was whether the United States should send food relief to Yugoslavia to avert starvation of the people. In that instance, because the lives of the people were involved, the sending of food to Yugoslavia was probably justifiable. In the present instance, however, a starvation condition does not exist and, therefore, before any aid can be sent to Tito we must be able to show, first, that we are morally justified in sending this aid and, second, that it is the best interests of the American people to do so.

The argument has been advanced by representatives of our State Department and others, that the only alternative to Tito in Yugoslavia is Stalin—that if Tito falls Stalin will take over. Therefore support Tito. This is an assumption which may or may not be correct. This conjecture has not been proved and of course it perhaps is of such a nature that it could not be proved conclusively.

However, if this assumption is in error and the real alternative to the present reign of terror is not Stalin but rather a rule which recognizes the rights of the people, either with or without Tito, then aid to Tito cannot be justified.

The people of Yugoslavia are now fighting against Tito in the only manner now available to them—by refusing to produce for the regime, by not planting or cultivating crops and by work slowdowns. Already this economic squeeze by the people has forced Tito to make concessions, particularly in abandoning his plans for collectivizing the farms. If we merely bail Tito out of his troubles by giving him aid with no conditions attached, we are doing exactly the opposite of what the people of Yugoslavia are doing. We are lightening Tito's economic burden, while they are trying to increase it. We would thus be acting against the aims and best interests of the people of Yugoslavia by lessening their squeeze which may make Tito yield to the people of Yugoslavia further, and we would enable him to continue his ruthless practices without regard for the resistance of the people. Tito would not have to worry about the economic consequences of his communistic theories and terrorism as long as the United States was financing him. In this connection it is interesting to note the comment in the Swiss newspaper Basler Nachrichten in the November 2, 1950, issue, which states:

"It would be great luck if the west does not really pass this opportunity and corrects the faults made before. It is not true when one affirms that Yugoslavia has to choose between Tito and Moscow, or Communism. The alternative is only one: Tito or freedom for the subjugated peoples."

I suggest that no one can be sure of the alternative possibilities in Yugoslavia. We can't be sure whether the real alternative to despotic rule by Tito is either by Stalin or freedom for the people with or without Tito.

In view of this fact of our lack of certainty, we must be most careful to see that in rendering aid to Tito we do not merely insure the continuance of the enslavement of the people. To avoid this possibility and thus be sure that our actions with respect to Yugoslavia are morally justifiable, I believe that our Government should give aid to Tito only under conditions which will insure greater freedom for the people of Yugoslavia and greater security in the exercise of their rights. If compliance with these conditions is assured, I believe that we can then and only then be justified in rendering certain aid to Tito, provided, however, that it is in the interest of the American people to do so.

Besides making aid to Tito morally justifiable the exacting of certain conditions to our aid provides definite material benefits. In the final analysis it is the Yugoslav people, not Tito, whom we desire as our allies in any conflict against Stalin, and we will gain far more support from them if we help them to regain their rights. Furthermore, the people of Yugoslavia and other countries subjected to communism will not believe that we are sincere in our opposition to Communist Imperialism, if we support Tito on the basis of mere expediency.

We would also derive economic advantages from exacting conditions. Much of Tito's difficulties lie in the fact that his ruthless practices have destroyed the willingness of the people to work efficiently, thus causing the deterioration of the Yugoslav economy. The restoration of the rights of the people will increase their willingness to relieve the economic difficulties which beset the country.

In addition to these conditions in behalf of the people of Yugoslavia, we should also lay down other conditions of aid which pertain to the economic and military situation in Yugoslavia, for, unless, we do this, we to a large measure would be pouring money down a rat hole. Otherwise there are other countries where we can put our money to good use. The conditions which I believe should be attached to any aid to Tito follow:

Before any aid be permitted to be sent to Tito, Tito should be required to do the following:

(1) Release all political and religious prisoners, other than pro-Cominformists.
(2) End forced labor and release all persons now working under forced-labor conditions.

(3) Terminate collectivization of farms; promise to restore to former small land owners all farms heretofore collectivized.

(4) Cease the practice of exacting quotas of farm produce from the peasants.

(5) Promise to restore to their former owners all other property confiscated by the Government.

(6) Permit all religious organizations to operate freely, to own property, to conduct religious, charitable, educational, and medical institutions.

(7) Permit every person to own property and to operate his own business or profession.

(8) Release all Greek children held in Yugoslavia.

(9) Permit Americans who have immigrated to Yugoslavia since 1945 to return to the United States.

(10) Permit free movement of Americans into and within the country.

(11) Arrange for the operation of teams of American economic and military advisers to assist them in the sound development of the economy and the army.

(12) Enter agreement to permit the United States if it desires to construct and operate airfields in Yugoslavia and a naval base at Boca Di Cattaro or elsewhere.

I recognize that the establishment of these or any conditions on our aid may be contrary to the ideas of the State Department as expressed by Mr. George Perkins and Mr. John J. Haggerty, when they appeared before this committee last December with reference to emergency relief for Yugoslavia. I know, however, that it is the view of this committee that certain conditions are desirable with reference to any aid sent to Yugoslavia as is indicated by your action last year, and I believe this principle should be adhered to and extended.

We are all aware of the fact that during World War II our policy was to give Stalin everything he asked for without any questions or conditions of any kind in the forlorn hope that he would respond to such buttering up in a spirit of friendliness and then be willing to cooperate with us. We have discovered how foolhardy such a method of dealing with the Communist dictators is. Let us not repeat the same mistake again.

The Intelligence Digest, edited by Kenneth de Courcy, in its December 1960 issue stated:

"It is important to realize that there is a growing feeling in Yugoslavia that the Western Powers are taking the same attitude toward Tito as they did toward the Russians during the war. Many potential friends of the west say that aid for Tito, with no conditions attached, is a serious mistake. If Yugoslavia is to become a western asset, the regime should be forced to modify its religious and economic policy. And it could be done. Tito has little real choice if he is to survive both the Russian military threat and the internal economic crisis."

Leigh White in his book, *Balkan Caesar*, stated:

"So be just as skeptical and as hypercritical in dealing with our erstwhile enemy Tito as we have been in dealing with our Greek, Turkish, and Iranian allies. If it is the course of wisdom to demand reforms in Greece, Turkey, and Iran is it not the course of folly to tolerate the myriad abuses of communism in Yugoslavia? We have no right nor have we the desire to exact material concessions from any of our beneficiaries. But we do have the right, indeed we have the most solemn of moral obligations, to exact the utmost in spiritual concessions from every tyrant who presumes to traffic with our aims."

Thus, in considering aid to Yugoslavia, it is important that we weigh the true facts and be not beguiled by statements from people who think Tito is "a swell fellow" as George Perkins referred to him upon his return from Yugoslavia in February.

To give a broad picture of the situation that exists in Yugoslavia, I include herewith two reports from residents of Yugoslavia. Report A was made by an intelligent observer residing in Yugoslavia in April 1951. Report B was made within the last month. I cannot divulge here the name of the individuals who made these reports since it might endanger them. I can give you more detailed information about them privately but, for the purpose of the record, I merely wish to state that I believe the source of my information is thoroughly reliable.

YUGOSLAVIA REPORT A

The numerical strength of the Communist Party of Yugoslavia, taking in consideration only the fully indoctrinated members, is estimated to be 3 percent, at the most 5 percent, of the entire population which numbers approximately 16 millions. After the conflict with the Cominform dissension within the party has been great and generally known. Cominform adherents are estimated to number over 50 percent, but as the chief personalities have been arrested, the Cominform adherents have till now remained without leaders. The personal situation of Tito in the party is considered to be very unfavorable; he maintains himself in position by means of organized force, and derives a distinct advantage from the support given to him by the west.

Western support has completely confused the anti-Communist part of the people (a majority of over 95 percent of the entire population); they do not know whether the west is supporting Tito in order to maintain him permanently in his position, or whether this is a matter of military-political opportunism.

A question that is frequently discussed in anti-Communist circles is that of a possible change of regime brought about by indirect or direct Soviet action, and of the replacement of the present regime by a pro-Soviet government. Should such a change take place due to direct Soviet intervention, it is believed possible that intervention of the Western Powers would ensue and world war III would break out. The prevailing opinion for the present is that the Soviets do not wish a third world war as yet, but fear of Soviet aggressive action is nevertheless constant.

A general impression is obtained that "political reactionaries" have in the last months been persecuted less by the regime, ever since closer contact with the west has been established; the reason, however, that the regime is easing up on the reactionaries is not that it has become more liberal, but because the reactionaries are not giving any pretexts for strong countermeasures. The reactionaries are not giving these pretexts because they have become completely apathetic. Sporadic resistance offered by peasants is purely of local character. It flares up suddenly and is repressed promptly and violently, as it is spontaneous and unorganized. According to the present state of affairs, the anti-Communist masses are so apathetic, depressed, and without any means, that it is impossible to envisage the prospect of the people undertaking any organized action for the overthrow of the regime. However, there is one circumstance which may occur.

sion surprise, and this is the general poverty and extreme want of the people. They have nothing more to sell, there is nothing they can buy. From day to day, with increasing anxiousness, people ask themselves the question: "Will I be able to keep body and soul together this year?" This is not said to stress the poverty and want. This is the awful fact. The question of physical survival is extremely acute. As consequence of this state of affairs mass suicides are expected of disheartened people, or on the other hand a spontaneous revolt might break out among hungry and desperate men who in their demented way may seek this issue from their misery, a misery which is general and from which is spared only an insignificant minority of privileged Communists.

Tito and his regime are hated, just as communism in general is hated, whether it be the Tito or the Soviet brand.

The spontaneous resistance to communism by the peasants is stubborn. The regime's plan to communize rural districts through the creation of agricultural work cooperatives has failed. All that has been written upon this matter by the regime are nothing but falsehoods, empty theorizing, and falsification of facts by use of unverifiable figures. The peasant work cooperatives which the regime has managed to set up, by using pressure, of course, are dissolved by their members as soon as suitable opportunity arises.

Youth, especially town youth, and in the first place school youth, arouses surprise by its resistance to communism, despite all the means used by the regime to win the youth over to its side.

Political personalities of prewar times have lost practically all their significance in the eyes of the people. It is typical that for the last 3 or 4 years no mention has been made in Croatia of Macek as leader of the Croatian people. He is not even mentioned at all. It is not yet possible to foresee who are the politicians who would emerge when the time comes. On the other hand there is great interest in the political activity of Yugoslav emigrants.

Two points are stressed regarding the two main national groups—the Serbs and the Croats. Both in Belgrade and in Zagreb exist groups of intellectuals holding the view that, once Yugoslavia is liberated, Serbs and Croats would not find it possible to live together in the same country again. They believe that this has been proved in the past. On the other hand, Serbian and Croatian masses realize that mistakes have been made by both sides to their common detriment, and that close ties between these sides are now imperative in order that the common enemy—communism—be overcome. It is considered that, once Yugoslavia is liberated, it will be of utmost importance that the conduct of state affairs in Belgrade be exercised in a firm and capable manner which will frustrate all attempts to break up Yugoslavia.

The masses are completely uninformed about what is taking place in the Western World regarding the fate of Yugoslavia. They have no idea how the matter of aid to Yugoslavia was discussed in the American Senate, what were the opinions expressed by many American Senators, and that aid was approved to the Yugoslav people and not to the regime. The Voice of America broadcasts are hardly listened to at all, as they favor the regime. People prefer by far to listen to broadcasts from Hungary and other Cominform countries because of the sharp attacks and criticism directed against the present Yugoslav regime.

American aid has not been felt yet among the people. Much is known and spoken about this aid, but nobody except civil servants has had any palpable evidence of its existence. It is known that there are American missions and commissions which are supposed to supervise the distribution of this aid, but they are located in Belgrade from where they are taken on sight-seeing excursions, are feasted and provided with entertainment by the regime, but are never seen in the field. Not a single mission or commission is known to have appeared in Zagreb or in Croatia to oversee the distribution of American aid.

The brain of the Communist party of Yugoslavia and of the Yugoslav regime is considered to be Pijade Mosa, although considerable intellectual value is attributed to Tito himself, but his past and his origin have not been clarified as yet.

The economic situation

The economic straits in which Yugoslavia finds herself, and from which she cannot hope to extricate herself under the present economic order, have not resulted from the greatly publicized "drought" nor from the economic "blockade" from the east; they are due solely and exclusively to the chaotic megalomaniac, completely unrealistic, theoretical-experimental attempt to replace tested means by something untried, and this not because of factual necessity but for ideological

and revolutionary reasons, the aim of which is to destroy all that formerly existed.

In the course of 8 years of "economic work and planning", enterprises were undertaken disregarding completely practical and useful results. Numerous and huge factory buildings were erected regardless of whether they could be furnished with the necessary installations, skilled labor or raw material. Inasmuch as it was possible to render these factories partially capable of functioning, their management was entrusted to laymen with only political qualifications for the job, and consequently work was directed according to the pleasure of party members. Already existing and prosperous industrial enterprises became enterprises of dubious commercial value after they were nationalized. For example, a prosperous enterprise which formerly employed 80 to 85 workers and several office workers, suddenly took on 300 to 500 workers (with the same installations) and 40 to 50 office workers with the result that the production costs were such that nobody wanted to buy the goods. This manner of work was justified by the slogan: "In socialist economy and in a specialist state the financial factor is of no significance. The financial factor is part of the capitalist system." Wherever rich ore deposits were theoretically presumed to exist, new mining installations were erected involving investments running into astronomical figures, the necessary labor was furnished, and the practical results achieved are far below anything that could possibly justify the expenditures entailed. For the needs of various managements of such a gigantic plan, for the needs of a huge but ineffectual government apparatus, for social welfare institutions planned purely for propaganda purposes, huge buildings and entire settlements have been erected, which were to be equipped with the most modern home installations which never arrived. Huge sums were invested, hundreds of thousands of workers were put to work, and the result amounted to absolutely nothing as it was not possible to put any of this to practical use. Huge sums were spent and yet nobody had any benefit of all this.

The means for this work were taken from the farmers, the most numerous (85 percent) and richest part of the population, but these never had any practical benefit from all the money taken forcibly away from them for this purpose. The farmers were constantly and increasingly burdened with furnishing means destined to be used for profitless capital investment and for the procurement of foreign currency with which machinery was imported and installed in factories having insufficient skilled labor or raw material. As a result production in these factories was nil, or in the best case, it was of very poor, almost unusable quality. Due to rigid centralization and to an enormous quantity of red tape, the insufficient quantity of goods that was available had to follow a long route through the so-called state administration. This considerably slowed down the passage of goods from producer to consumer and often the goods so accumulated (often under the open sky) spoiled and reduced still more the meager stockpiles of their goods awaited anxiously by the people. Thousands of tons of goods were lost in this manner. The ultimate result of this was the material exhaustion of all productive people. The peasants were left without any reserves, and in time lost their producing power. These were not helped in their predicament so as to better overcome their resistance to communism and the communizing of rural districts. This is, in main lines, how the economic collapse came about.

Agriculture, the chief branch of national economy, will not be of much use to the people and to the government. The danger of famine, which was explained by drought last year, will be at least as acute as last year. The farmer has no seed, no fertilizer, and he does not want to work because all his work is not sufficient even to pay all his taxes.

The general economic situation is such that there can be no work of rectifying it under the present conditions. Any aid coming from abroad is just pouring sand into the sea. The sole way of restoring normal economic conditions in Yugoslavia is to replace the existing economic system by another that is based on sound economic policy and not on Communist theory. The present regime will not deviate from its economic policy because such a change would imply changes of political character both within the country and in relations with other countries. However, Yugoslavia is not capable of effecting a change in its economic system with its own means. There is not capital, private or state, in the country. To rehabilitate economically Yugoslavia and the Yugoslav people would require an investment of at least a billion dollars provided that this money is not entrusted to the present regime nor to a government administration of the present type.

YUGOSLAVIA REPORT B (TRANSLATED)

After the final breach with Moscow one could think that the Communist regime in Yugoslavia might become more democratic. But Yugoslavia is still a pure Communist country. The hard situation forced Tito to yield toward the west in a way, because he had to devote his main attention to preserve the unity of his party, to clear it from the Cominform elements and to smother any opposition bloodily. It is obvious that the gulf between Belgrade and Moscow has become permanent, though no ideological differences divide both Communist countries.

By receiving an important aid from the United States of America Tito was forced to permit the entrance of many foreign newspapermen. But all the sympathy toward the west is only apparent. Following statement at a party conference is characteristic:

"We are between two evils right now: Cominform and capitalists. Cominform is aggressive and represents an acute foe; the capitalists are still asleep and do not represent any immediate danger. Our role nowadays is to create quarrel between them."

The decrease of terror does not represent any democratic measure, but it only signifies the strengthening of the regime, the complete suppression of the freedom and high grade of the complete control over all and everything.

Nowadays as before the Communists have the exclusive priority in each field of the social life.

Because of the economic difficulties and various political trouble the situation in Yugoslavia could be characterized as a continuation of war. In many cases the living conditions and the security are worse than during the war. This fact is stressed by strong tendency of sacrificing everything for the army.

Yugoslavia and Cominform

Just after the Cominform resolution in 1948 the Yugoslav Communist leaders behaved humbly toward the U. S. S. R. and kept telling that the discord was a confusion into which the U. S. S. R. was misled. But, later on, the relations grew worse, until they have come to the entire interruption of all economic, cultural and even partially of the diplomatic relations with U. S. S. R. and the satellites. A number of the Yugoslav Communist Party declared being in accord with the Cominform resolution, but the Government undertook bloody measures against them. The purge has constantly been carried out; the pro-Moscowite elements were put into prisons or concentration camps, but a rather great part were simply liquidated.

One could say that for the time being there is not any illegal organization in Yugoslavia. Before there were some Cominform leaflets and newspapers, but now one cannot find any of them.

Living standard

Due to the hard economic conditions the living standard is on a very low grade, far lower than before the war.

Because of exaggerated industrialization huge quantities of food were exported so as to buy industrial machines; this provoked a terrible want of food, although the country could produce enough for its population and even some for export.

Some quantities of food are guaranteed by the ration cards, of course, but they are absolutely insufficient and even unsubstantial. The prices at the free (black) market are following:

	Dinars
1 kilogram of flour.....	100-150
1 kilogram of fat.....	450
1 kilogram of sugar.....	600
1 kilogram of onion.....	120
1 kilogram of beans.....	100
1 meter of stuff.....	700
1 meter of artificial silk.....	1,500

¹ Even sometimes 250 dinars.

Certain articles are completely missing: soap, razors and blades, combs, tooth brushes, needles, thread, etc. All this could be bought at the free (black) market from the people who are getting parcels from abroad, especially from the United States, but the prices are terrific.

The average salary is about 3,500 to 4,000 dinars per month, thus the purchase possibilities are miserable. One could get 5 years of prison or forced labor if caught on the black market.

However, the peasants live the most miserably. They do not have any ration cards and are forced to sell their products at low prices and in established quantities, which mostly exceed their productive capacity. Therefore one can see the peasant buying flour in towns, even begging, a picture impossible to have been seen before the war. The peasant must sell wool to the Government (40 dinars per kilogram) and buy American flour (100 dinars per kilogram).

The action for the collectivization failed, so nobody is forced to enter the kolkhozes now. A great lot of peasants who were the members of kolkhozes are now leaving them.

Although the Communists consider themselves as the vanguard of the working class, one can openly say that the worker's living in Yugoslavia is far below the living standard in the west, and much worse than before the war. Consequently, the working class is represented in the Communist Party by a very small number. So the party does not represent a party of the working class.

Despite the famous assertions about the high productive capacity of labor, the effect of it is very small one. One could often hear such a catchword: "I produce according to my salary only."

Economic state

It is a well-known fact that the Yugoslav economy has come into an impasse. This happened mostly because of the tendency of the regime to transform as soon as possible a predominantly agricultural country into an industrial one, regardless of any conditions.

So they began to build great numbers of new factories and combines, but later all was stopped and most of the buildings were not finished. In the factories already prepared for work the machines could not be put in operation because of lack of raw materials. The products were of a very bad quality. Sometimes even not useful at all.

Five-year plan, so stressed before, has been abandoned now, for it has been carried out without any plan, carelessly and negligently.

Propaganda and its effects are the fundamental tendency of the regime. Millions have been spent in order to inform falsely the world about the state in Yugoslavia. For instance:

1. Yugoslavia had spent 500 million dinars for its pavilion at the world exhibition in Alexandria, Egypt. The machines were exposed there and sold at significantly low prices while Yugoslavia was buying them abroad at enormous prices.

2. There are some newspapers and magazines printed abroad where the situation in Yugoslavia is shown as excellent, the life as a happy one, full of abundance and enjoyment. How far from reality it is, one could conclude from the fact that the sale of those newspapers and magazines is strongly forbidden in Yugoslavia.

America's aid

Masses of Yugoslavia are convinced that Tito has made an excellent job and cheated America by his tales about the drought and its catastrophic consequences. It is correct that there was the drought last year, but such droughts, even worse ones, took place in Yugoslavia before the war, and the country never suffered from them. If the regime did not export food in huge quantities regardless of anything, there would be food enough for the whole population. Even now, Yugoslavia getting food for "starving" people from America has sold wheat to Egypt and sugar to Switzerland for 5 dinars for 1 kgr., while the people in Yugoslavia have to pay 500 dinars for 1 kgr. of it.

Although there was some talk about America's aid, the masses could not feel any great change, speaking in general. The only difference was that food got by ration cards was of American origin.

However, the special warehouses for "privileged" persons were full of different articles with labels: "Made in America" (USA).

The only real aid was the one from OARE organization, so-called OARE cards—powdered milk, dried eggs, butter.

There are rumors through Yugoslavia that tremendous quantities of American food are stocked into the stores in Bosnia, Hercegovina, and Dalmatia.

Yugoslav press wrote little about American aid, and then it was only in dull, official form. There was no word of gratitude to American people. On the contrary this aid has served as a wide propaganda for the regime and its stability. At different conferences the fact was stressed that the American aid represented a victory of Yugoslavia and proved its great credit abroad.

Behind the curtain, there where the eyes of the American observers could not reach, everything was undertaken in order to reduce the importance of the American aid and its origin; the labels were torn from the sacks of flour and sugar.

The aid got through the CARE organization has been distributed all right and it has represented a great help for children and youth. But they were told that they had to thank for it their "beloved, dear comrade, Tito, the greatest friend of theirs."

Relations with the foreigners

As already said, propaganda is one of the main means for maintaining the regime. In Yugoslavia there are many written and common laws as to how to behave and talk to the foreigners. Even the most innocent sport relations have to be approved by the Government.

The invitation of the important and eminent persons from abroad is a specialty of the regime. Those persons have to see "on the spot" the things in the country. But as soon as a foreigner has come over there he is encircled by the Communist agents. The translators are mostly the members of UDB (secret police), and they have to translate things only in a way favorable to the regime. "The guests" are led from one reception or banquet to another; they live in the most luxurious hotels and apartments, they have at their disposal nice cars and they usually can see only what the regime has adjusted to. If they want to see a town or any kolkhose, then the authorities arrange things quickly, that is, the agents of UDB go there before and teach the people what to say or show them how to behave, etc.

The case with Trygve Lie was characteristic. He was led through Belgrade by car and was always in the company of prominent men of the government or the party's so, he had not time enough to see anything worth while or interesting or to study the circumstances. When he said that he wanted to see Belgrade by walking through its streets, the agents of UDB went before him and ordered the salesmen on Prince Michael Street how to arrange the show windows, what to say and be ready to do so. On Prince Michael Street there are some nice stores with precious wares and the labels: "Not for sale" (in Serbian, of course). Those things were designed only for export.

Besides there is a large net of spies who encircle all foreign visitors. In the vicinity of the foreign embassies and legations and near some private residences, there are houses or apartments inhabited by the agents of UDB who have to watch and note everyone going in or out of those watched buildings. Likewise, all telephone talk is tapped.

The wardrobe keeper of the American library in Belgrade is a certain woman Mishovich (or so) who is the UDB agent.

Some drivers at the American Embassy are notorious UDB agents.

At the CARE organization all important positions are kept by the Communists or UDB agents. The director on personal matters is a woman member of the Communist Party. The translator is a Brana Belovich, well-known UDB agent.

The butler at the English Embassy, a youth of 18, was forced to become a UDB agent.

Rather often, all the people who were in touch with the foreigners, especially with the Americans, were arrested. Sometimes, all the readers of the American library in Chikla Lyuba Street were arrested and got 3 to 6 months of forced labor. For the time being this phenomenon is becoming more or less rare.

Schools

Communist leaders have already proclaimed that the state of the schools was very bad and that the knowledge of the pupils and the students was very low. Of course there were some consequences of the war, but they should have disappeared by now.

The teachers and the professors at the high schools are very bad and since a certain number of the high schools were enlarged and certain unreliable teachers were discharged, the authorities were forced to employ teachers with little, if not without any qualifications (except political ones).

The main worry of the regime is the indoctrination in the Communist spirit through the schools. The whole program is directed only in such a way.

At the universities, the situation is much worse. The student cannot choose the faculty which corresponds with his ability or desires. At the newspaper-diplomatic faculty, and at the medical or electro-machine (sic) ones likewise, only the Communists or exclusively talented persons could study.

Side by side with the professional knowledge, the students must do military preparation. Besides, the students must become the member of so-called national students' youth and attend the courses of: National liberation fight, party building up, Marxism-Leninism, etc. After the examination the student could enter the party, if he is not already one of its members.

Every summer the students from the high schools and universities are obliged to work "voluntarily" a month. For a bachelor this work is the main condition for the admittance into the university.

The students live very miserably, especially those from provinces and those who are not the party members. There are not enough lodgings and food is quite poor and insufficient. Therefore the health of the students at the universities is lamentable. For instance, at the juridical faculty, there were 73 percent of students with tuberculosis and 30 percent of them with acute tuberculosis (open caverns).

UDB—Direction of state security

It is the strongest and the most reliable fulcrum of the Red-Communist regime. For 5 years of the Communist regime the UDB has reached such a perfection in controlling the most trifling events in Yugoslavia that one could feel its presence everywhere. When two best friends talk alone, they are not sure at all that the UDB has not heard their talk.

UDB has a huge apparatus and unlimited possibilities and its threads are woven into even the worthless details of the everyday life. In the UDB apparatus are engaged the most dependable and fanatical people, who do not feel any lack in means and in whose hands are the destinies of all the people.

UDB maintains a permanent and daily control over every last one of the Yugoslavia people. All the UDB sections (districts, cities, counties) have a special register for every citizen: personal data about him, his "crimes," punishments, friends, relatives, denunciations, etc.

There are some well-known methods of UDB:

1. Every house janitor is a UDB spy. He is obliged to report everything about each of inmates. The door must be locked at 10 p. m. and the janitor only has the key, so he is able to check any person coming in later, and to control every person coming in or out.

2. UDB confidants at the factories, offices, schools are obliged to report everything about the people there. They have a special mission to watch the suspicious people and even provoke them.

3. The methods at the high schools are especially disgusting. Some students were schooled in special courses for spying on their fellows and reporting to the authorities everything they discovered. But, sadly enough, their main duty lay in denouncing people.

4. At the cafeterias and barrooms there are many UDB agents among the personnel. The singers, dancers, and any kind of artists must report every day about all they heard or saw. Their main duty is to become intimate with the foreigners, intrude into their rooms and, if possible, intoxicate them and then to steal everything useful for UDB.

5. Less important UDB agents are chosen from among the dregs. There is a special class of people of low moral qualifications, almost each of them a criminal. They are well-known by the people, nonetheless they can be very dangerous, if not by reporting truth, at any rate by denouncing people designated by the UDB.

Consequently, the mistrust and fright are common phenomena in Yugoslavia. Nobody trusts anybody.

Sadly enough, such conditions permit some miscreants and scoundrels to settle their personal affairs and hatred through UDB.

Some persons were forced to become UDB agents, and they do not know if their intimate friends were such, too. Thus, such circumstances have created a terrible psychological atmosphere.

Traffic

Even nowadays, 6 years after the war, the traffic in Yugoslavia is very bad. Railroad traffic: The most important traffic in Yugoslavia goes through the railroads, but the number of engines and wagons (freight cars) have not reached the prewar level yet. Although there are more wagon factories than before, the production is very small. Besides one feels rather sharp lack of fuel, espe-

cially during the winter. So, in order to improve and augment the traffic the Yugoslav authorities have installed into practice the measures for the maximum wagon charge, besides there were some trains with 150 to 250 cars. But all this caused more damage than utility and the engines were damaged, so this practice must have been ended.

Passenger traffic is very bad too. There are not passenger wagons enough and they are always full in extreme, although the prices are terribly high. There are many traffic accidents and sabotage, despite all police measures.

Auto traffic has a very insignificant role in Yugoslav traffic, for there are few good auto roads. The trucks are those they got from UNRRA and they are all old and ruined. The public has no cars. Besides one feels a great lack of gasoline in Yugoslavia and it has been rationed long ago.

Traffic on rivers is well restored and developed, but it is aggravated because of lack of dredges and during the summers the traffic could be shortened.

Sea traffic seems to be greater than before the war. Yugoslavia has ships enough and is buying them abroad. Besides, there are shipyards there. In the sea traffic one could not see much sabotage and arson on the ships.

Air traffic is greater than before the war, but there are not planes enough; so, some planes have to travel without interruption and on more lines than it is accustomed.

People's resistance

Six years of the Communist regime has not broken the spirit of the people yet, but it has frustrated any organized resistance or any greater sign of discontent or revolt.

One can certainly affirm that 90 percent of the people are anti-Communists, but due to the severe police control any organized revolt is impossible, so much the more when the people do not have any weapons in hands.

The opposition is divided into two parts: conformists and democrats. The first are numerically insignificant, the latter represent almost the whole population.

Nevertheless, there are some signs of resistance which provoke much worry and damage to the regime: Sabotage, arson, passive resistance against any government job, the resistance of the peasants to compulsory deliveries of their agricultural products, demonstrative quitting of jobs and demonstrative going to the churches.

However, despite the apparent lull and peace and despite the disorganization of the people, the Communist authorities have undertaken serious security measures and controls. All military objects, factories, ministries, Communist centers, and above all the important Communist leaders are submitted to a great protection by police and army.

Each headquarters of the Communist Party (even in small towns) and every important Communist leader are well protected by the police, UDB and by special troops.

Each exit of Tito out of his White Palace on Dedinje is protected by a whole First Guard Division and by UDB agents; on each 50 meters of the road one guardist or UDB agent is placed.

Dedinje (a hill) on which Tito's White Palace is situated, and the surrounding hills also (Banevo Brdo, Topchider, and Koshutnjak Park) represent practically a police camp; on each step there is a policeman or UDB agent. A larger circle of protection is established also with a lot of guard posts and mobile patrols on horseback.

In such a way an impenetrable wall of security is established around Tito and the Communist leaders.

ECONOMIC SITUATION IN YUGOSLAVIA

I would like to quote here a few other sources that may throw some light on the over-all economic situation which exists in Yugoslavia.

In the American Mercury of February 1950, a staff writer of the Christian Science Monitor, Mr. H. W. Markham, stated:

"Obligatory 'voluntary' labor is practiced on an enormous scale, as described in each number of Borba and every other paper, especially Glas. Practically every able-bodied person in Yugoslavia except urban industrial laborers is obliged to dig ditches, cut wood, carry cement, or lay rails, 2 or 3 months a year. Mothers and fathers, sons and daughters, mix cement side by side, for Tito. For those who fail to do their share, as for the political dissidents, there are always the forced labor camps."

"Every person over 6 years old is subjected to the constant pressures of 'mass organization,' intimidation, discrimination, and the necessity to 'work harder or starve.' But has Tito raised the living standard of Yugoslavia? It may be too early to say definitely. Certainly, as of November 1949, the Yugoslav people, including children, were hungrier, more ragged, less healthy, less adequately housed, than they have been for decades. They never before received so little for working so much. Tito himself publicly said, last July 12: 'I admit there is a lack of necessities . . . we haven't enough to satisfy everyday need.'"

Markham further states that the Yugoslav newspaper Borba stated that 70 percent of the people doing "voluntary" reforestation work were women, and that 1,336,489 women had participated during a 6-month period in work brigades.

Mr. Robert Strausz-Hupe, associate professor of political science at the University of Pennsylvania, in the winter 1951 Yale Review, on page 283, states that four-fifths of the Yugoslav population opposed Tito and that Tito is not and cannot be the chosen leader of the Yugoslav people.

One of the reasons why we should attach economic conditions to our aid of Yugoslavia is because our aid would be next to useless without these conditions. Mr. Strausz-Hupe in his article states that the country is beset by "economic and social problems of increasing severity," and further states "the severe and chronic economic crisis that this regime faces makes it a foregone conclusion that all relations with Yugoslavia will have to be cemented by massive loans. Probably at the rate of 200 million dollars annually." Mr. Hupe further states "In all likelihood Yugoslavia would have been faced with a severe economic crisis even had she never been cast out by the Cominform and had drought not parched her crops."

According to Mr. Hupe, in the postwar years planted acreage of wheat has been cut back in order to permit the expansion of such industrial crops as flax, sunflowers, cotton, and hemp; that before the war Yugoslavia produced 4½ million tons of corn a year and exported 350,000 tons. In 1949, not a drought year, corn production was only 3.7 million tons.

The Atlantic Monthly of May 1951 states that "the Yugoslav worker's living standard is very low. A semiskilled worker's monthly wages would buy him not quite a yard of material of a suit, on the free market. His annual allotment of tickets for the purchase of furniture, luxury goods, or clothing at a reduced price is just enough to give him the materials for one suit—it does not pay for lining, buttons, thread, or labor. Moreover, once these tickets are spent, he must buy everything else on the free market without reduction, and a pair of shoes would cost him his pay check for 6 weeks; the price of a pound of crude homemade soap, which the peasants produce from waste fat, would equal 2 weeks' income of the worker."

The Christian Science Monitor of November 9, 1949, contains an article written by Walter Lucas, from Belgrade. He explains in this article the economic plight of the people of Yugoslavia. Let me read parts of his article:

"There is a general over-all drabness in the cities, a look of poverty, and a feeling of utter depression. The people are shabbily dressed. Meager stocks of inferior quality goods scarcely fill the shop windows. People in long queues wait patiently for hours to buy the most inadequate rationed goods, and then sometimes the ration coupons are not honored.

"Housewives get up at 4 o'clock in the morning to buy a little something extra at the free markets where peasants sell eggs and poultry, vegetables and fats. In fact, it is difficult for the average city dweller to feed himself adequately without resorting to the free market—that is, of course, if he is not a heavy worker or a Communist Party member enjoying special ration cards.

"Prices on the free market are fantastic. A dozen eggs represent the equivalent of 1 day's wages of the average worker's pay. A pound of butter costs more than 2 days' wages. A pound of meat is just under 1 day's wage. A pound of sugar is more than a day's wages. A pair of shoes is 1½ months' wages, and a suit of clothes takes more than one would earn in a year. Rationed food is from four to five times cheaper, and the prices of rationed clothing are less than one-tenth of the free-market price. But for most people the ration for the year provides only one pair of shoes and one suit of clothes, and many people do not get a ration card at all and have to buy everything on the free market. There is, in fact, a serious shortage of consumer goods and food.

"The reasons for this are partly due to the Cominform blockade and partly to the mistakes of the regime itself, which, with its eyes fixed and transfixed on Marxian doctrine, have driven the country toward complete socialization of industry and business at a speed that has upset the whole balance of the country's economy. . . .

"Two cases in point are the vast project for a new Belgrade and the autobahn which is being built from Belgrade to Zagreb over a distance of more than 200 miles.

"The new city of Belgrade, designed as the Federal capital, is to be laid out magnificently for 250,000 persons, mostly bureaucrats and foreign diplomats. It is to have an enormous Parliament building and an ultramodern hotel. It is being built expensively on a swamp at the confluence of the rivers of Danube and Sava. Tens of thousands of 'voluntary' laborers, young men and girls snatched from the villages have been engaged on this project.

"Other tens of thousands of 'voluntary' laborers have been wrestling with the Belgrade-Zagreb autobahn. I drove along the hundred miles or so of this road. Workers with picks and shovels swarmed, like flies around honey. Something like it must have happened when the Pharaohs built their pyramids. But I passed only two private cars and three trucks on the whole extent of my drive. The fact is no one in Yugoslavia has a car except the government bosses and Tito or the foreign diplomats. I wondered then what this road was for—just so that Tito could speed uninterrupted in his black Buick at 120 miles an hour? * * *

"Something could be done to relieve the economic pressure on the vast mass of the Yugoslav people if the directors of the regime would be prepared to let up on the dogged devotion to Marxian dogma. There is, however, little chance of this, as long as there is the feeling that America must come to their aid * * *

"At this rate an egg in Yugoslavia cost 50 cents and a pair of shoes \$100 * * *

In another article in the Christian Science Monitor, July 31, 1950, by Edmund Stevens, it is stated:

"* * * The waste in effort and materials is enormous by western efficiency standards. American engineers who we found supervising a major industrial construction job grew agitated when they mentioned the subject. They estimated that it cost the equivalent of \$600 to pour a cubic yard of concrete. The waste of lumber and other building materials through careless handling was, they said, appalling. Valuable machinery was put out of commission through lack of maintenance and improper operation."

In the summer of 1950 issue of Contemporary Issues, page 110, Mr. A. R. K. Jaric, a former Yugoslav businessman now residing in London, stated: "Tito does not publish statistics, but that the economy is inefficient is no secret. No American dollars can help to restore it as long as it remains Communist. Tito's Yugoslavia is like a bottomless pit."

Mr. Jaric further explains how Tito puts the economic squeeze on the peasants by purchasing items from the peasants at much lower prices than formerly and selling to them at much higher prices. He illustrates with two examples: Cement is sold for 200 dinars instead of 60 dinars per 100 kilos; but for one liter of wine the peasant receives a fixed price of 6 dinars. Tito alone can sell the wine on the market, and receives 60 dinars for it.

In the light of the situation illustrated by the foregoing reports, the optimism of our State Department with reference to economic conditions under Tito appears to be unreliable. For instance, last fall, when this committee was conducting hearings with reference to the Yugoslav Emergency Relief Assistance Act of 1950, Mr. George Perkins stated (p. 5 of hearings):

"In regard to the long-run economic position, agricultural and mineral resources, under normal conditions, should provide sufficient exports to pay for the necessary imports. Because of the necessity of reorienting its trade from east to west and as a consequence of some of its own investment policies, Yugoslavia has had a problem of insufficient foreign exchange. They have, however, recently shown a more realistic attitude in reviewing their capital-investment program, and have resumed negotiations with the World Bank for credits to finance a long-term program of reconstruction and development. While these measures are being worked out, credit assistance from the United States and other countries, on a relatively small scale, has helped toward meeting the problem."

This is a rosy view of the situation to say the least. Again, on page 6 of the hearings, Mr. Perkins states:

"There is every indication that they are now realizing that they overstepped themselves in that direction and that they have got to slow down. This has been a very bitter pill for them to take, with their Communist theories; but they seem to be alert to that and are willing to talk sense in their investment program."

Further, in arguing in favor of a grant and against making a loan to Tito, Mr. Perkins stated that "such a loan would be a drag on their credit which they need

to use for other purposes" and that a loan would "slow down their own recovery program to a point where it would become practically impossible."

Calling Tito's economic program, which is rapidly running the country into a chaotic condition, a "recovery program" is more than a mere euphemism.

Again, on page 20 of the hearings, Mr. Perkins refers to aid to Tito as a method of economic warfare, supposedly against Stalin. We will certainly accomplish little by such means of economic warfare if we give aid to Tito without requiring Tito to rebase his economic guns.

Again, on page 23 of the hearings, Mr. Perkins states: "If we do it on a credit basis, we simply cut down the total credit which is available to them." Which implies Tito operates a responsible regime with a sound fiscal policy.

On page 25, Mr. Perkins, in further explaining why we should not make a loan to Tito, as Britain had done, stated: "They have still some credit there (meaning Britain), and they need that credit for putting the country on its feet where it will continue to survive and not be calling for outside help all of the time."

Mr. John J. Haggerty, also of the State Department, stated before this committee, at page 50 of the hearings, that "Tito realized that, after all, America was the only country to which they could turn for economic aid and, on a sound basis, I might say, to help them accomplish their economic development."

At page 51, he further stated:

"I think we have an unprecedented opportunity to influence the country and the people of its government. I think there is room in the world for our country to live as a capitalistic country and help Yugoslavia as a Socialist or perhaps a semi-Socialist country to achieve its economic objectives without destroying the human values that go with civil rights and individual liberties."

I will forego comment on the implication contained in Mr. Haggerty's statement that civil rights and individual liberties exist in Yugoslavia; but, with reference to his statements about our helping Yugoslavia achieve its "economic objectives" and to help their "economic development" and further in view of his statement, at page 74, that we should extend aid to Tito without any conditions attached, I wish to state that he is asking us to blindly take part in a program which has been plunging the people of Yugoslavia into poverty and slavery.

I submit that these representatives of the State Department are inaccurate and unrealistic in their views of the economic situation in Yugoslavia. I believe that, besides being unfair to the Yugoslav people, it would be most foolhardy and wasteful for us to extend aid to Tito without demanding that he make definite changes in the domestic practices which have created this tragic situation.

While speaking about the over-all economic situation in Yugoslavia, I would like to say a word about the so-called "economic blockade" of Yugoslavia by Stalin. The President in his letter to Congress November 20, 1950, requesting emergency legislation for Yugoslavia, stated "Yugoslavia is being subjected to an economic blockade * * *"

Further, in Senate Report 2588, Eighty-first Congress, with respect to emergency relief assistance to Yugoslavia, it is stated, under the subtitle "Economic Warfare" (p. 3): "Since 1948, the Soviet's war of nerves on Yugoslavia has been unrelenting. It has been implemented by an economic boycott that has effectively interdicted trade between Yugoslavia and the Iron-curtain countries. In 1947, 49.1 percent of Yugoslavia's exports went to the Soviet bloc; in 1949, only 14.4 percent. The picture is much the same for imports. In 1947, 51.0 percent of Yugoslav imports came from the Soviet Union and the satellites; by 1949, imports from the Soviet states accounted for only 13.4 percent of Yugoslavia's total imports. These figures show the terrific impact of the Soviet break upon the economy of Yugoslavia. Within 2 years it was necessary for Yugoslavia to reorientate her foreign trade from the east to the west. New markets had to be found for Yugoslav products; new sources of raw materials sought and means developed to pay for them."

"The economic impact on Yugoslavia of this boycott, as well as military moves by her satellite neighbors and finally the show of Communist imperialist force in far-off Korea, all combined to put the Tito regime in a most precarious position, a position where Soviet Communists, by subversion, coercion, or even military force, might have brought Yugoslavia back into the Soviet fold."

These statements about an "economic blockade" are unreal in view of the traditional practice of the Soviet Union of exploiting the satellites solely for its own purposes and not for the benefit of the satellites. Any trade which

Yugoslavia has with the Soviet Union or the other satellite countries was not in the interests of Yugoslavia, but rather to her detriment. This is illustrated well by a statement of the former Hungarian Minister of Finance, Nicholas Nyradi. The Soviet-created Council of Mutual Economic Assistance grew out of an interlocking series of bilateral trade agreements that Russia signed with its vassals in the summer of 1947. In the May 7, 1951, issue of the *Freeman*, Mr. Nyradi is quoted as having said the following about this Council: "No two satellites are permitted to deal with each other to their own mutual advantage. All exchanges between them must serve Russia's interests and be cleared through Moscow at a handsome profit to the Soviet Government. The satellites today have no more independence, economic or political, than the various Soviet Republics, which they are fast coming to resemble."

"Russia is neither willing nor able to do for Eastern Europe what the United States, by means of the Marshall plan, is doing for Western Europe. Far from bettering the living conditions of Eastern Europe, the Molotov plan is rapidly reducing them to the subhuman level that prevails in Russia."

Further evidence that the cessation of trade between Yugoslavia and the Soviet Union constituted no economic blockade of Yugoslavia is shown by the following excerpt from an article by Eric Siepmann which appeared in the April 1951 edition of the *Twentieth Century* (p. 280): "Russia's economic relations with Yugoslavia after the departure of the Russian troops are described by Popovitch (Minister of Foreign Trade) as exploitation along the most classical 'capitalist' lines. Popovitch wrote in 1949:

"In accordance with Russia's dictum that 'friendship is all very well, but business is business,' Russia established with the 'popular democracies,' commercial relations, on capitalist lines, by which the maximum profit went to Russia."

Popovitch went on to show that the exploitation of Russia's satellites by the 'mixed' trading corporations went even further than capitalism. This exploitation came to a head over the question of industrialization, when it became plain that the role allotted to Yugoslavia by Moscow was the same as that intended by Hitler: to serve as a granary, for quasi-colonial exploitation."

Actually, thus, the ending of trade between Yugoslavia and the Soviet Union was a boon to Yugoslavia, not a "blockade" of Yugoslavia. Far from being to Yugoslavia's disadvantage it was to her advantage. In fact, Mr. Siepmann contends that the breach between Tito and Stalin came about precisely because of the fact that this trade between Yugoslavia and the Soviet Union was nothing more than an exploitation of Yugoslavia by the Soviet Union.

I am sure that the people of Poland or Hungary or Rumania would be glad to be the victims of an economic blockade by the Soviet Union. The ills of Tito's economy cannot be laid to Stalin. Tito has created his own economic chaos in Yugoslavia all by himself, without any assistance from Joe Stalin.

SLAVERY IN YUGOSLAVIA

An effort is being made by many persons to convey the idea that the Tito regime is gradually letting up on the people and allowing them a freer exercise of their rights. Probably this is done in order to make America more disposed toward rendering aid to Tito.

But whatever the reason, there seems to be little evidence of any increased freedom for the people of Yugoslavia. The *New York Times* for July 5, 1951, stated "Investigation proved that 49 percent of all persons arrested in Yugoslavia in 1949 had been arrested and detained without cause."

Section 28 of the Constitution of the Federal People's Republic of Yugoslavia, January 31, 1946, provides as follows:

"Inviolability of person shall be guaranteed to citizens.

"No person shall be kept under custody for a longer time than 3 days without a motivated decision in writing issued by a court or a public prosecutor. The longest period of custody shall be determined by law.

"No person shall be punished for an offense without a decision of a competent court, handed down on the basis of law by which the jurisdiction of the court for the trial of the particular kind of the offense is established.

"Punishments may be determined and imposed according to law only.

"No person apprehended by governmental agencies shall be tried without being heard in accordance with the law and without being summoned in a proper manner so that he could defend himself."

It will be noted from the above section of the constitution that although it appears to guarantee certain rights of a person, a person may be kept in custody for any length of time merely by a decision of a public prosecutor.

Furthermore the laws in Macedonia provide for the imposition of forced labor upon the people. The Official Gazette of the People's Republic of Macedonia of May 3, 1950, Law No. 70, page 6, provides, "Measure (penalty) of socially useful labor imposed by administrative authorities under section 6 of the law on offenses against public order and peace shall be carried out by the agencies of the Ministry of the Interior.

"Measure (penalty) of socially useful labor imposed by administrative authority shall be served in working camps at the place of work, which shall be established by the Ministry of the Interior when the necessity advises.

"Application of such measure (penalty) in individual instances may take place upon a resolution of the Ministry of the Interior.

"A person, upon whom the measure (penalty) of the socially useful labor is imposed by administrative authorities, shall be assigned to a definite working place by the Commissioner of the Ministry of the Interior attached to the local people's committee which ordered such measure (penalty).

"A person serving (a term of) social useful labor may be released after the expiration of the half of his term on condition he proves by his work and behavior that the social useful labor had upon his educative influences.

"The decision for discontinuation of serving of the measure (penalty) of the socially useful labor shall be made by the Ministry of the Interior on the proposal of the management of the working place (concerned)."

According to Mr. C. B. Birdwood in his article in World Affairs, January 1951, a million and one-half peasants have been removed from the land to work in the new factories set up by Tito. I mentioned earlier the description in the Christian Science Monitor of November 9, 1949, by Walter Lucas in which he compared the tens of thousands of "voluntary" labor workers on the Belgrade-Zagreb autobahns to the situation which must have existed when the Pharaohs built the pyramids.

The Yugoslav-Slovenian Review of the National Committee for Free Europe of June 15, 1951, contains the following information about slavery and imprisonment in Yugoslavia (p. 15 (translated from Slovenian)):

"At the end of December 1950, we have received reports from our reporters concerning a statement by a major of the (Yugoslav) secret police. He stated at the end of last year (1949) there have been in jail and concentration camps about 250,000 political prisoners. In this number were not counted farmers seized on account of sabotage or because they refused to enter kolkhozes. The kolkhozes are called farmers-workers cooperatives in Yugoslavia. The same major stated also that since 1948, 43 new penitentiaries and concentration camps for political prisoners were established.

"In the 5-year report of the public prosecutor of the Federal People's Republic of Yugoslavia, covering the time from 1945 to 1950, which we published in the January Review, it is stated that approximately 6,000,000 people passed through the jails of Yugoslavia for this or that reason. This means that of every five citizens, two were punished. Or if we subtract the children that means out of every five citizens four were punished by imprisonment.

"In January 1951 we looked for proof of the above data and we were informed by reliable sources that the data of 'Godisnjaka' concerning the number of seized persons was less than the actual number. At the beginning of 1951, there were about 400,000 men, women, and children in prison.

"By edict of pardon issued on New Year's Day, 1951, published with great propaganda, about 11,327 prisoners were released. In addition 1,007 pardoned Communists were released on the anniversary of May Day, May 1, 1951. That is only a small number of those hundreds of thousands of people which the Communist regime treats as slaves. Following we give a list of some principal concentration camps which list we got from an individual whom we can trust and who experienced the treatment of the terror agents.

"How many concentration camps are there?

"It is impossible to give the exact number of penitentiaries and forced-labor camps as long as the Western Powers cannot penetrate into the dreadful darkness of the Communist regime; some agencies tried to but did not succeed. Among others Hrvatski Dom and Nasa Rec (newspapers) tried to get some information. Hrvatski Dom published in the February 1951 issue some data, although it was not complete. From this and other sources we prepared a summary of these camps according to provinces. We state that our list does not include all the

places of torture. The numbers in parentheses represent the number of prisoners as they were given to us:

"1. The People's Republic of Serbia:

Beograd: Glavnjaca, Djusina Street (jails of the central guard are in Princess Ljubice Street; New Beograd (between 7,000 and 20,000)
Banjica (where they are building more underground jails for more thousands of prisoners)
Pasino Brdo (about 2,000 to 3,000)
Zabela—Pozarevac
Otahovo (v Kosmetu za Albance)
Debar (about 350)
Decani (2,000)
Bela Crkva
Gradjani
(The penitentiary in Nis and forced-labor camps in the vicinity of Nis.)
Bor Mine (20,000)
Mine Trepca (one report says 1,300; another, 7,500)
Along the railroad between Sabac and Koviljaca
Along the railroad between Valjevo and Zvornik
Along the railroad between Pec and Prizren

"2. People's Republic of Croatia:

Stara Gradiska (5,000 and 300 priests of all religions)
Lepoglava
Planina Medvedjak v Gorskem Kotarju
Hrvatska Dubica
Slavonska Orehovica
Caprag
Delic (mixed; for men, women, and children)
Lonjsko Polje
Sisak
Gol Otok (about 5,000)
Koprivnica
Sremska Mitrovica
Slavonski Brod
Borov-Vukovar
Along railroad.

"3. People's Republic of Bosnia and Hercegovina:

Siroki Brijeg
Stup
Fale
Zenica (besides the forced labor concentration camp there is also a penitentiary)
Foca
Doboj
Stolac
Dulci krag Gackog
Sinjsko Polje (drainage project)
Banovici (coal mine south of Tuzle, 20,000)
Benja Luka
Novibazar-Raska
On the river Drina
Along the railroad between Sarajero and Dubrovnik (which is getting now a normal gage)
Along the railroad between Tuzla and Doboj
Along the railroad between Ljubija and Banjalaka.

"4. People's Republic of Macedonia:

Idrizovo near Skopje
Veles
Strumicko Polje (drainage project)
Along Black River near Bitolju
Kumanovo (along the railroad)

"5. People's Republic of Montenegro:

Cetinje
Podgorica (about 14,000)
Skadarsko jezero (drainage project, about 20,000)
Kotor
Bjelo Polje (well known jail with 360 isolation cells)

"6. People's Republic of Slovenia:

Ljubljana: Litostraj (about 1,000; district county jails of secret police in the former building of Bank of Slovenia, Siska, sv. Petra Dam, Bleiweissova road)

On the Igu

Foot of Mount Smarno

Ladevel near Rogatica

Cepicko Lake in Istria

Kocevje (about 20,000)

Celje (underground bunkers)

Strnisce near Ptuj (aluminum mine)

Skofljica foot of Ljubljano

Trbovlje (mine, about 5,000)

Radovljica

Jesenice (steel factory, about 2,000)

In the woods of Triglavskega, Karavank in Pohorja, on forced labor about 60,000."

Among the political prisoners are included some of the formerly prominent leaders of Yugoslavia. Among these are: Dr. Dragoljub Jovanovic, who was one of the most prominent economists in the Balkans. The Carnegie Endowment for International Peace has published his work on the economic consequences of the war in the Balkans. He was a leader of the Serbian Peasant Party. As a member of the Yugoslav Parliament, he provoked the retaliation of the Communists by his speech in behalf of the peasants. He was sentenced to death but his sentence was commuted to imprisonment because of the intervention of the Carnegie Endowment for International Peace. He is still in prison in Yugoslavia.

Dr. Boris Furlan, another prisoner of Tito's, was very influential in the Slovene Democratic Party. He left Yugoslavia in 1941 to work on the London radio. He returned to Yugoslavia in 1945, joined the National Front of Liberation, but refused to be a tool of the Communists and joined the movement of Mihajlovic. He was tried by Tito in August 1947 and condemned to death. Under American pressure the death sentence was commuted to imprisonment. The crime Furlan was charged with was that he wrote an article entitled "Communist 'Spillation' Policy in Yugoslavia."

Dr. Constantine Kumanudi is in prison under a 15-year sentence. Dr. Kumanudi was a professor of law at Belgrade University. During the First World War he organized the Yugoslav volunteers in Russia. After the war he was a delegate to the Yugoslav peace delegation in Paris. He served as a member of the Yugoslav Constitutional Assembly. He was a Minister of Finance of Yugoslavia in 1921. He was a mayor of Belgrade for a short time, and he served 17 years in the Yugoslav Parliament. From 1931 to 1935 he was president of the Parliament. During the Nazi occupation of Yugoslavia he was condemned to prison. His continuing action against tyrants caused him to be condemned as reactionary by one of Tito's courts. This great patriot will be 91 years old if he lives out his 15-year prison sentence.

The New York Times of June 24, 1951, in an article by M. S. Handler, stated that the Yugoslav National Assembly would enact an amnesty law early this month, which would release many prisoners. Mr. Handler reports that Alexander Rankovich, Minister of the Interior, accused the Yugoslav judges of accepting political evidence without question and also attacked his own police force for abuse of powers and for arresting persons too easily. The article went on to say that many of the cases of prisoners would be reexamined with a view to reducing the sentences or releasing them. According to the article the ones to be released were not those who were guilty of political crimes but rather those who are guilty of petty crimes.

In view of this fact that it is the petty criminals and not the political prisoners that are to be released under this proposed law, I believe the question could well be asked, whether the real intent of the law is not merely to clear out prison space for new political prisoners?

In any event, lest we think that Tito is becoming softer, here is what he said in a speech at Skoplje, on August 6, 1949, as reported by Mr. R. H. Markham in the American Mercury magazine of February, 1950: "It would be wrong to believe that the conception of kulak is to be applied to everybody who has 25 or 40 acres of land. No, comrades, the conception of kulak is identical with the conception of the enemy . . . who is against socialism. If somebody is against socialism, he is an enemy and there is no difference between him and the kulak, even if he has no land whatsoever. If he is against socialism, he is an enemy, who must and will be annihilated."

And Mr. Auberon Herbert, writing in the London Tablet last summer after his return from Yugoslavia quotes a speech which Tito made last year:

"There cannot be two programs in our country, but only one, the program of the people's front, the program of Socialist construction.

"We are living in the best of revolutionary social transformation in our country, and revolution is not prone to humor, revolution cannot play around with concessions and other things; revolution is cruel."

External evidence of this cruelty may be gleaned from the suicide of a political refugee named Nikola who jumped from a plane which was carrying him back to Yugoslavia (New York Times, March 5, 1950).

Or from the story reported from the Brooklyn Tablet of July 14, 1951, about the eight young athletes who refused to return to Yugoslavia. As members of a water polo team they had toured Europe, won all their matches, and were scheduled to return to Yugoslavia on June 10. Tito had already planned a civic demonstration for the athletes in Belgrade upon their return. The athletes, however, decided not to go back. Unfortunately, they are today living in a leaky-roofed, foul-smelling barracks in an overcrowded displaced-persons camp in Salzburg and our Government and other governments are unwilling to help them.

Another story of disillusionment is reported by NCWC News Service, June 11, 1951. George Markovich went back to his native Yugoslavia from Canada in 1947 with his wife and three children. They were going home to help build up their native country. Upon arrival in Yugoslavia he immediately was assessed \$500 to help "the people's state." When he inquired about this he was imprisoned for 17 days. He was obliged to work for \$3 or \$4 per week. On May 3, 1951, Markovich had managed to get his family back to Canada. He was much sadder and wiser—and 50 pounds lighter—weighing only 120 pounds upon his return.

Certainly if we require Tito to deal more fairly with the people and to respect their rights in accordance with the constitution of Yugoslavia it will greatly increase the friendship and cooperation of the Yugoslav people with the American people.

AGRICULTURE IN YUGOSLAVIA

I would now like to point out a few facts about the agricultural situation in Yugoslavia. In the April 7, 1951, issue of the New York Times, Mr. C. L. Sulzberger, whose writings seem to indicate that he is well disposed toward the Tito regime, nonetheless states, "It is conceded that the agrarian policy has been a failure." I wish to include herewith a few quotations from the Yugoslav newspapers which will show some of the reasons for this failure.

Dr. Bakaric, Premier and Communist leader of Croatia outlined a new agricultural policy in a speech in Zagreb on March 31, 1951. In commenting upon this speech, the newspaper Borba, in an article entitled "The Way Toward Mass Collective Farms," stated:

"The main accent of the activity of our party organizations has been placed on setting up and consolidating collective farms, as well as on laying groundwork for the establishment of future collectives, especially in grain-raising areas. As a matter of fact, the aspect of quantity has thus far been subordinating to that of the internal economic soundness of existing farms.

"Yet, in spite of these undeniable changes, study of our collective farms has brought to light a certain organic weakness in the system which militates against the growth of mass collective farming.

"The fundamental reason why our collective farms do not grow and spread is, however, due to their economic weakness.

"During 1950 little was done by local organizations to increase productivity of the farms. . . . The average number of working days of a collective farmer was between 110 and 130 (for the year); in 1949, only 104 days. This is less than one-third of the total yearly working days, meaning that two-thirds of the yearly working days were devoted to loitering or activities not connected with farming."

Miha Marinko, Prime Minister of Slovenia, said in the Slovenian Parliament on January 12, 1951: "There are many, many farms which today produce far less than they did before the war. The same must be said of many collective farms which today yield far less than the same soil yielded in prewar times."

Ljudska Pravica, a Slovenian newspaper, describes in its January 10, 1951, issue, certain larger implications in collective farm practices:

" * * * Compulsory deliveries by peasants (to the state) have an eminent political significance. They crush at the source every attempt by speculators in the countryside to raise the price of food articles. The final result of an adequate use of the weapon of compulsory deliveries will and must be consolidation and expansion of our socialized economy. * * * This task has not been carried out as it should have been. * * * The criminal price racket which some speculators were allowed to carry on and which brought them fat profits in cash caused growing antipathy among the still independent farmers toward collective farms and at the same time fostered propaganda for wholesale desertions of their members. * * * During 1950 some officially appointed collectors of compulsory contributions neglected their duty in favor of the larger farmers, particularly in nonindustrial areas. * * * They have not realized the true meaning of the policy of compulsory deliveries. * * *"

The Politika, a newspaper (Belgrade), in an article in its March 21, 1950, issue, entitled "Increase of Production on Collective Farms Is Urged," states:

" * * * We hope that this year (1950) members of collective farms will give more full days' work to the growing of vegetables. Last year (1949) it was failure. * * * There should be ample opportunity for all collective farms to increase the number of useful working days. * * * More soil should be tilled, livestock should receive more attention, and there is plenty of useful work to be done. * * * very important manpower was not fully utilized, * * * and production suffered.

The same newspaper points out in an article entitled "More White-Collar Experts in Agriculture Than There Are Agricultural Workers," appearing in its January 24, 1951, issue, a bureaucratic condition which "Politika" considers serious:

"Agriculture is now being run from Government offices. They cause more danger than they produce useful work. The distribution of agricultural experts is arbitrary. Thus it has transpired that we have in the central offices of the Minister of Agriculture as well as in local branches all over Serbia an enormous number of such experts. For instance, in the 3 agricultural institutes at Top-sider (near Belgrade) there are employed 43 graduate agricultural engineers and in one institute in Croatia there are 41 such graduates with 15 assistants. On the other hand, out in the field in Cosmet region, for instance, there is only one qualified expert with a university diploma, assisted by 32 lower-level agricultural technicians. In Vovrodina, one of the foremost of the producing areas, there are only 16 highly qualified agronomists working on the field, assisted by 52 minor technicians, representing proportionally a poorer showing than in Cosmet. * * * The situation is so bad in Serbia that there are actually 10 highly qualified agricultural graduates who work in administrative offices to every 1 such graduate who is employed in agricultural work in the field."

In an article entitled "The Crisis in Yugoslavia's 5-Year Plan," by Pavle Goranic, Wirtschaftsdienst (Hamburg, Germany), September 1950, it is stated that in 1949 the planners admitted that 435,000 fewer hectares were under collectivization in Yugoslavia than in 1939. Mr. Goranic quotes Tito himself as saying:

"I think it is precisely in the creation of peasants' cooperatives that we have made most mistakes. We reckoned mathematically and not with actual possibilities, with the morale of the people, and did not ask whether these people were ready to come into cooperatives."

The Christian Science Monitor of September 9, 1948, contains an article which shows this agricultural failure more concretely in describing how Tito confiscates pigs from the peasants. This article, written by Mr. R. H. Markham, tells of the "pig war" which Marshal Tito had begun against the Yugoslav peasants, as part of the campaign to communize agriculture and liquidate the kulaks.

Pig raising is the primary activity of the peasants in Serbia and Mr. Markham states that pig stealing in Serbia is considered in the same class as horse stealing was on the American frontier. Tito's men were seizing nearly all the pigs of the so-called rich peasants and turning them over to state-owned farms and peasant cooperatives. The official reason given for the pig seizure was that the rich peasants were hiding the pigs and not selling their required quotas to the government. They were charged with speculating and sabotaging the economy. The authorities were reported as taking pigs from rich "capitalistic elements" but leaving each family with at least two pigs. The peasants were given receipts for the pigs and told they would be paid but no price was specified.

You can well imagine the effect on the peasants of this governmental pig stealing, and it well demonstrates why Tito's agricultural "policy" was a failure. The effect of this pig-stealing program is described in Leigh White's Balkan Caesar. He states that "pork, in what was the largest hog-producing country in Europe before the Second World War, cost \$8 a pound in the fall of 1950." Mr. White makes further comment that butter was selling at \$20 a pound and eggs at \$5 a dozen. Yet wages in Yugoslavia averaged only \$60 a month.

Mr. White also reports the case of a Soviet peasant who was required to deliver 600 bushels of wheat in 1950, even though his farm produced only 365. He was forced to sell one of his two cows in order to provide his own family with bread and he expected to be arrested for his failure to deliver the required quota of wheat. Mr. White further states that in Bosnia, 25 heads of families in a village of 300 were arrested for failure to deliver their full quotas of corn.

So badly did conditions deteriorate among the peasants that eight Serbian peasants spent 1,000 dinars each to travel to Belgrade to implore the Tito government not to take so much of their crops. This story is reported by Gaston Coblenz in the April 22, 1950, New York Herald Tribune. One of the peasants declared he must surrender 400 pounds of wheat to the regime, although he had only 200. These peasants were of the "poor peasant" category owning only 2 to 6 acres of land each in a relatively poor area in south Serbia. One of the peasants, a 78-year-old man said he had fought against Turkish, Bulgars, and Germans in his time but that he had never seen his part of the country in such bad shape.

Mr. Haggerty, when he appeared before this committee last year, also testified as to the apathy and resistance of the peasants to Tito's collectivization program.

Mr. R. H. Markham, in his article in the February 1950, American Mercury, page 180, stated that Tito proudly proclaimed in Borba on September 17, that he takes up to 85 percent of the harvest from the kulaks and as we noted before, Tito regards anybody against socialism as a kulak.

The Atlantic Monthly for May 1951 (p. 14) reports that in 1949, 5,300 farms were collectivized; that during the first 6 months of 1950, 310 were collectivized and in the last 6 months of 1950, only 30 were collectivized; that there is no talk of further collectivization. It further states that 450,000 families and three-quarters of the country's land remain independent.

The State Department letter regarding the Yugoslav emergency relief program, stated:

"As the compulsory purchase system has aroused substantial resentment on the part of the peasantry and undoubtedly has been instrumental in decreasing agricultural production, this decision is an example of the Yugoslav Government's efforts to move away from a rigidly controlled and centralized type of economy to one based more on incentives and the play of supply and demand. In this connection, it may also be noted that, at least for the present, the Yugoslav Government has virtually stopped further collectivization of agriculture."

The letter also states that the Yugoslav Government has announced that it would gradually eliminate the present compulsory purchase system.

In the light of this it would seem that there should be no resentment on the part of the Tito regime if we include as a condition of our aid that he cease collectivizing the farms and terminate the compulsory quota exactions from the independent peasant. And such a change would greatly improve the agricultural situation in Yugoslavia and thus bolster the country, besides achieving greater justice for the peasant.

RELIGIOUS PERSECUTION

Let us consider the religious situation in Yugoslavia. The State Department letter states that "limited progress has been made in the direction of freeing the conduct of religious affairs from state controls." I might state that if this statement read "extremely limited" it would be closer to the true situation. The Intelligence Digest of January 1951 states, with regard to Yugoslavia:

"Religious persecution continues unabated. Atheism is taught in the national schools. In the country areas, services are regularly attended by the secret police. Hardly a Sunday passes on which some priest is not arrested for preaching doctrines repugnant to communism. Just as in the Cominform countries, efforts are being made to set up a dissident Catholic Church, loyal to the regime. Three apostate priests have already been chosen as its leaders; Ante Bajt, Josip Lampret, and Victor Merc. There is no distinction between these men and Plojhar in Czechoslovakia and Balogh in Hungary."

A Brooklyn Tablet article of June 30, 1951, stated under a Trieste date line that there had been no improvement in the general religious situation in Yugoslavia, and that more than 300 Catholic and 50 orthodox priests were still in jail, and that to date 378 priests had been murdered by the Communists. Ten priests were released in the much proclaimed amnesty of December 31, 1950, and these were all sick or near death.

The New York Times of June 17, 1951, reports the sentencing of 16 clerics to prison, including Father Josip Salac, vice rector of the Roman Catholic Theological University in Zagreb.

I would like to summarize here the contents of various news releases of the National Catholic Welfare Conference with regard to the religious persecution in Yugoslavia over the past 15 months.

EXCERPTS FROM NCWC NEWS RELEASES, MARCH 1930 TO JULY 1951

"Paris, March 4, 1950.—Bishop Smljkan Cekada was ordered to leave Yugoslavia within 4 days and told not to return. Msgr. Andrija Majic was arrested by agents of OZNA, the secret police, 2 days before Christmas and is being held incommunicado. Bishop Petar Cule of Mostar was sentenced to 11½ years in prison on the usual charge of 'collaboration.'

"Father Matthew Nulc, secretary of the bishop, was sentenced to 8½ years in prison. The bishop's brother, Father Anton Cule, was arrested by OZNA agents in November of last year and is still being held. Since that time scores of priests of this diocese have been arrested and hundreds of sisters have been expelled from their convents.

"In Cattaro, Msgr. Ivan Stjepcevic was sentenced to 8 years in prison. Father Trifoni Milosovic, was sent to prison for 15 years. Father Jasko Vresk a 38-year-old priest of Antivari, was condemned to die before a firing squad.

"Father Vittorio Kolocjra, 38, drew a sentence of 15 years. He threw the judges and prosecutor into confusion when he declared during his trial that he had been tortured and held in solitary confinement while awaiting trial. He described how his jailers thrust wires down his throat and then shot electric current in them in efforts to force a confession. This trial was staged with all the fanfare of communist propaganda: loudspeakers installed on streetcorners dinned out the courtroom proceedings which were attended by 'spectators' brought to the court from surrounding areas."

"Rome, May 19, 1950.—A government 'permit' for priests is demanded in the People's Republic of Slovenia, Civiltà Cattolica, a Jesuit review relates. The government demands that all newly appointed or transferred priests—assistants as well as pastors—must obtain government consent in their new posts nor may a priest say mass, hear confessions or preach at a neighboring parish unless he has the previous approval of the Red authorities, it adds. As a consequence parishes where the government refuses to grant its 'placet' to the priests appointed by the Bishop are without any religious services.

"Violations of these government regulations have brought fines of up to 10,000 dinars, the article reports, noting that the highest fines have been handed out for the 'illegal' hearing of confessions. Armed soldiers prevent 'unauthorized' priests from saying mass in churches deprived of their clergy.

"Another restriction on priests, Civiltà Cattolica relates, is that they are often not permitted to reside in the parish house next to the church but are compelled to live in some house miles away.

"The Yugoslavia regime makes special efforts to obstruct the pastoral visits of bishops, the review states. Boat and automobile owners are warned not to transport prelates, with the result that they must make the greater part of their journeys on foot. Party members are warned not to allow their children to be confirmed. At one place, the article relates, parents came at night to the parish house to have the bishop confirm their children. However, when the authorities discovered this they placed a cordon of police around the parish house and forced the people away.

"On September 25, 1949, Rev. Josef Vedrlna was attacked by a group of Communist youth on his return from a funeral and was stoned and beaten to death. The Red police never bothered to apprehend those guilty.

"Tito is likewise trying to make life impossible for the clergy through an economic squeeze. The 'land reform' robbed the clergy of most of their independent income. The government stopped the traditional 'allotments' paid to the clergy. Then collections outside churches were prohibited. This was followed by a decree forbidding special collections in churches such as the Peter's pence and collection for the missions, the diocesan curia and seminaries."

MILAN, ITALY, June 18, 1950.—Two outstanding Jesuit preachers of the Archdioceses of Zagreb and Sarajevo were arrested. Well-informed circles fear that a determined offensive is under way by the Communists to complete the dissolution of the Society of Jesus in Yugoslavia. Last year in Ljubljana eight Jesuit Fathers were condemned to long prison terms on the charges of fostering Catholic action. In addition to these sentences the property of the Jesuit Fathers there was confiscated by the Communists. The ancient church built by the people in thanksgiving to God for deliverance from earthquakes was converted into a movie studio."

MILAN, ITALY, June 22, 1950.—The Tito regime of Yugoslavia has effected the dissolution of another religious community of nuns by demanding the vacating of its last two houses and ordering the sisters to find jobs 'useful' to the state, it was learned here.

"Before the once thriving community was robbed of its convents by the regime it numbered some 200 nuns living in 22 houses.

"The report stated that several thousands nuns have been driven from their convents by the undiminishing persecution of the Catholic Church in Yugoslavia."

WASHINGTON, July 6, 1950.—Rev. Silvije Grubisic, O. F. M., told of the fate of the Franciscan community in Croatia to which he once belonged. He was formerly attached to the Franciscan Monastery at Mostar, Croatia.

"Of the 200 Franciscan friars—including 20 brothers—attached to the Province of the Assumption at Mostar in 1945, only 39 are left today, the priest related. Seventy-nine have been killed; 30 were last known to be in concentration camps; many have escaped the country, including some 20 who have reached the United States; the fate of a number of friars is unknown.

"In 1945 the Franciscans of the Assumption Province took care of 56 parishes, Father Grubisic stated. Now 30 are priestless. A middle school, a minor seminary, a novitiate, and a scholasticate for Franciscan students of philosophy and theology, once operated by the province, have been closed by the Tito regime."

ROME, August 3, 1950.—Civiltà Cattolica, a Jesuit review published here, in an article entitled 'Religious Persecution and the Administration of Justice in Yugoslavia,' told about one priest who refused to cooperate with the regime's effort to pin a crime on the bishop who was arrested and sentenced on charges of 'immorality.' A curate received the same treatment for refusal to testify against the pastor. A third priest, the magazine states, who refused to cooperate with Tito's police was beaten and starved so severely that he became tubercular.

"The article states it cannot mention the names and places of these priests for 'obvious' reasons.

"Describing life in a Yugoslav prison, the article says that a bishop and other priests are confined in a damp, dark subterranean cell. Another priest, 78 years old, is kept in the worst prison in his area. The imprisoned secretary of a bishop contracted tuberculosis because of an insufficient prison diet. It is not unusual for prisoners to die from privations. These are then buried secretly, the article declares."

VENICE, ITALY, September 16, 1950.—Thousands of Catholics in some 20 parishes in Yugoslavia have been deprived of the opportunity of assisting at mass and the consolation of the sacraments, according to a report received here. The report stated that in one swift act Communist authorities compelled many pastors and clergy to lay aside their sacred ministry and report for 'military service.'

"Sources here tell that the military service in question, which endures for no set period of time, consists in loading and unloading ships, cutting wood, and other forms of heavy labor. Because of the acute shortage of priests in most Yugoslav dioceses, it has become impossible to care for the spiritual needs of the faithful who live in the vacant parishes.

"Word comes too from a reliable source that a Jesuit priest, a Father Kozelj, one of the foremost preachers in Yugoslavia, has been arrested for a second time on the same charge, that of conducting a conference attended by thousands of men. He served 3 months in prison and on his release was rearrested and sentenced without trial to 2 years of forced labor."

VENICE, ITALY, September 8, 1950.—The Yugoslav Communist regime has arrested two more Catholic priests. Revs. Francis Horvath, chancery official of the Sarajevo archdiocese, and Michael Parosic, priest of the Zagreb archdiocese, who was a teacher of religion in the Crislo high school.

"Another report states that 57-year-old priest, the Reverend Louis Vrnjak, died in a Yugoslav prison, a victim of starvation and maltreatment."

"VENICE, ITALY, October 20, 1950.—Tito's latest victims are the Reverend Francis Hervath, chaplain official of the Sarajevo archdiocese, and the Reverend Emanuel Kijalc, O. F. M., of Zenica, near Sarajevo. Father Hervath received a 3-year prison term. He is suffering from tuberculosis. Father Kijalc was sentenced to prison for alleged "cooperation with a band of criminals."

"NEW YORK, November 21, 1950.—Bishop Michael J. Ready of Columbus declared that a grinding and relentless persecution is being waged against the Catholic Church in Yugoslavia.

"Since the time the Communists began operations they have killed 378 priests. At present the Communists are holding over 400 priests in prison. Archbishop Stepinac and Bishop Peter Cule of Mostar are still serving prison sentences. The unjustifiable arrests of priests continue.

"Priests are continually subjected to Communist pressure which involves arbitrary arrest, night raids on parish houses, and long hours of grilling by the secret police. In some cases priests have been murdered on the public highways. Priests have been prevented by the Communists from taking care of their parish churches.

"All religious orders of women in Slovenia and in Bosnia-Herzegovina have been dissolved by the Communists. Hundreds of Sisters all over the country have been expelled from their convents and forced to seek shelter in their paternal homes in order to obtain ration cards for food. Many Sisters have been obliged to abandon their religious garb and take jobs in factories or offices. Other Sisters remaining in convents which are not yet confiscated receive no food or clothing cards. Two such Sisters on the Dalmatian coast died from malnutrition and lack of medicine during the past winter.

"More than one-half of the seminaries in the country have been closed and confiscated. Those remaining are partially occupied by the Communists.

"Every Catholic school—elementary, high school, and college—every Catholic hospital and old-folks home, every Catholic orphanage has been confiscated by the Yugoslav Communists.

"The Communists have placed intolerable restrictions on the teaching of religion. Teaching catechism to children, even in churches, is impossible. An edict forbidding catechism classes for children in churches was published in Bosnia-Herzegovina.

"Students for the priesthood have been arrested and sentenced to prison on charges of "vagrancy" Bishop Ready related. Parents of seminarians have been threatened by the Communists and warned to withdraw their boys from the seminaries. Catholics in the armed forces or holding government jobs are forbidden to practice their religion, he stated.

"Priests have been subjected to physical torture by the Communists who thus endeavor to force "confessions" the bishop continued. Many Sisters have been arrested and held in filthy prisons. Communist thugs have broken into convents and beaten the Sisters. Churches and wayside shrines have been desecrated and destroyed by the Communists.

"The once flourishing Catholic press in Yugoslavia no longer exists. A few religious sheets are allowed but so strict is the Communist censorship that they are little more than parish bulletins.

"The Communist press continues its campaign of attack against the church with abusive articles and cartoons against the Holy Father, priests, and Sisters. No residential bishop has been appointed in Yugoslavia since the Communists seized power."

"The Reds have also struck at the Serbian Orthodox Church, Bishop Ready pointed out. Its priests have been arrested and its American-born Bishop Varnava Nastic of Sarajevo is in prison under abominable conditions, he added.

"As long as these conditions last, as long as priests and bishops are held in prison," Bishop Ready declared, "there can be only one answer to the question about persecution of the church in Yugoslavia. The Tito Communist propaganda is false."

"WASHINGTON, December 12, 1950.—A plea that Marshal Tito be required to guarantee restoration of fundamental rights and liberties before being given any United States aid was made here by the National Council of Catholic Men. The statement of the N. C. C. M. said:

"Since the accession of Tito to power, 378 priests have been put to death. Four hundred clergymen of the Orthodox and Roman Catholic Churches are now in

prison. Clergymen are continually subjected to Communist pressure which includes arbitrary arrest, night raids on parish houses, and long hours of grilling by the secret police.

"All religious orders of women in Slovenia and Bosnia-Herzegovina have been dissolved. Hundreds of Sisters all over Yugoslavia have been expelled from their convents and have been obliged to abandon their religious garb and take jobs in factories or offices.

"Every Catholic school, hospital, orphanage, and old-folks home has been confiscated by the Tito government. Intolerable restrictions on the teaching of religion have been made. The government-controlled press has waged an abusive and vicious campaign against the Holy Father, the clergy, and Sisters. No residential bishop has been appointed in Yugoslavia since the Communists seized power.

"These attacks have not been directed at the Catholic Church alone. They have embraced as well the Serbian Orthodox Church, many of whose priests have been arrested and whose American-born bishop, the Most Reverend Varnava Nastic, of Sarajevo, is at present imprisoned under abominable conditions."

"VENICE, ITALY, January 25, 1951.—Two priests died in prison as a result of ill treatment by their jailers. An entire Cistercian community was arrested. A priest was fined for accepting the offerings of parishioners."

"The Cistercian community consisted of several priests and lay Brothers, who reside in a monastery in Slovenia. They were taken off by police and held incommunicado for several weeks.

"The priest who was fined had to pay 10,000 dinars (\$200) because the faithful, according to the custom of the early Christians, left voluntary offerings at the altar. This was held to be a violation by the priest of the government decree forbidding collections in churches. When police learned that the priest had bought some sorely needed supplies with these offerings, they fined and imprisoned him. They also searched his house and confiscated a sizable sum of money donated by the faithful for the repair of their church.

"It is also recalled here that a disastrous blow was struck against the church in Croatia when police arrested over 20 seminarians of the archdiocesan seminary at Zagreb. The students were accused of taking part in 'antigovernment' activities. Several priests at the seminary were also apprehended on the charge that they 'condoned' the activities."

"VENICE, ITALY, February 1, 1951.—In Zagreb, only five or six priests have been permitted to teach religion in the schools despite the fact that, according to existing law, teaching of religion should be allowed in all schools. Reports from the Republic of Slovenia show a similar situation."

"VENICE, ITALY, April 28, 1951.—Reports reaching here give the details of the expulsion of Bishop Francis Cekada, Administrator Apostolic of Banja Luka, from that see. Bishop Cekada was first expelled from Bosnia-Herzegovina in January 1950 when he was given only 4 days' notice.

"The bishop was summoned to the Banja Luka headquarters of the secret police and told that he would be escorted to the borders of Bosnia-Herzegovina under armed guard unless he left within 24 hours.

"The reason for the prelate's expulsion was reported to be the same as last year: his persistent refusal to grant episcopal approval to a government-sponsored Association of Roman Catholic Priests.

"Bishop Peter Cule of Mostar, sentenced to 10 years' imprisonment in 1948 by a Tito people's court, is forced to wear tattered and insufficient clothing, despite the fact that proper clothing is sent to him regularly. Orthodox Bishop Varnava Nastic of Sarajevo, a former United States citizen and vigorous opponent of the Communist regime, is also imprisoned at Zenica and reportedly compelled to live under the most degrading conditions."

"TRIESTE, June 21, 1951.—In the republics of Slovenia and Bosnia-Herzegovina some priests have been arrested and fined for attempting to teach religion to children assembled in church.

"Sisters have suffered extremely throughout the land. More than 8,000 have been forced to discard their religious dress and find such employment as they could. Their property has been confiscated throughout the largely Catholic Republic of Slovenia. In Bosnia-Herzegovina over 500 sisters have been expelled and their property taken.

"Many orders of men in Slovenia have also been suppressed and their property taken. Seminaries have been closed and confiscated. In Ljubljana the diocesan

seminary which had been occupied since the war was recently declared officially confiscated. The two minor seminaries in Solvenia have also been forced to close."

From these reports of religious persecution it is obvious that we could do a great deal to restore the moral spirit of the people of Yugoslavia if we required Tito to discontinue his obstruction of the free practice of religion in Yugoslavia.

YUGOSLAV ARMY

How good is Tito's army?

President Truman in his letter urging aid last year to relieve the food shortage in Yugoslavia, said one of the reasons for our aid was that the drought "imperils the combat effectiveness of the Yugoslav armed forces." In the hearings last winter on this aid program, Gen. Omar N. Bradley stated (p. 37) that the Yugoslav Army on our side would be of material assistance. General Bradley also testified as to the importance of morale and willingness to fight in an army and he further stated, in reference to the Yugoslav Army, that in his opinion when "they are defending their own country they would be quite effective" (p. 39) and also that he considered them as a rather effective Balkan army but that he did not know the status of their supply and production (p. 41).

Mr. Kenneth de Courcy, in his Intelligence Digest of December 1950, stated "There is no change in relationships with the Cominform countries. If the Soviet Union decides to strike at Yugoslavia, it can be done with relatively small immediate military risk. The Yugoslav Army is good on paper, but politically unreliable. It will fight well only if it is given something to fight for. The opposition generally is unwilling to fight against Stalin merely for Tito. Neither of the two is considered better or worse than the other."

The statements contained in reports A and B, which I have previously submitted to you appear to bear out Mr. de Courcy's view rather than General Bradley's.

In any event, it is most important if we desire the Yugoslav people to fight on our side in case of any conflict between the United States and the Soviet Union, that their morale is high and that they are willing to fight. In this respect the attachment of conditions to our aid which would improve the lot of the unfortunate peasants and working people in Yugoslavia would help to assure the existence of good morale and willingness to fight in the Yugoslav Army, which is so largely made up of Yugoslav peasants and workers.

I do not profess to be a military expert but the establishment of airfields and a naval base in Yugoslavia might be of great assistance to the United States. They should also be of great assistance to Yugoslavia. I suggest the attachment of conditions pertaining to airfields and a naval base so that they could be established by our military forces, should it be or become desirable. This is not without precedent. Prior to World War II the British had leased the Yugoslav island of Yls for an airfield. Furthermore, immediately prior to World War II, the British were also negotiating with the Yugoslav Government for a naval base at Boca de Cattaro.

Permit me a further observation regarding military aid to Yugoslavia.

Since the strength and willingness to fight of the Yugoslav Army is doubtful, I believe we should be most cautious with regard to any military aid given to Tito. It might be prudent if we would at this time restrict our arms shipments to Yugoslavia to small arms, which the natives can take along with them into the mountains.

A realistic appraisal of the present military situation in Yugoslavia would indicate that there is little hope of the Yugoslav Army defending the country against any determined attack by Stalin. About the best that could be hoped for would be guerrilla action in the mountains as was used against the Nazis. In this case the small arms would be far more useful than heavy artillery and tanks which would probably be forfeited to the enemy.

Later, after the people of Yugoslavia have had some of their basic rights restored, and the regime has ceased its police state practices, the soldiers of Yugoslavia may regain their willingness to fight as an army. When this occurs, we can then provide the army with heavier armaments since there will then be greater likelihood of its being used effectively and less likelihood of these armaments merely falling into the hands of the Stalinists if Yugoslavia is attacked.

A condition with regard to the repatriation of Greek children should certainly be included. In its report of April 6, 1951, the State Department stated that 65 of these children had been repatriated up to March 15, 1951, and that 100 others had emigrated to Australia to join their parents. The State Department estimated that there are a total of approximately 10,000 Greek children living in Yugoslavia but that only several hundred are to be considered eligible for repatriation. In any case, whether the number is in the hundreds or the thousands, we should make every effort to see that they are returned to their parents.

Likewise, we should request Tito to permit those Americans who were lured back to Yugoslavia by his false propaganda, to return to the United States. The Christian Science Monitor of November 6, 1949, related the sad story of these repatriates. It estimated that 3,000 or 9,000 Americans, Canadians, Australians, and others of Yugoslav origin, were enticed back to their mother country by a barrage of nationalistic and ideological propaganda. Upon arrival in Yugoslavia, these repatriates were relieved of their money and goods and put to work for the Communist regime. The article estimated that the regime acquired more than \$10 million worth of foreign exchange in this shell game. Many of the swank American cars manned by Communist officers in Belgrade were acquired in this manner. We Americans should help these former American citizens to return to the United States. Hence, I believe we should include as a condition of our aid that Tito permit them to return.

Thus I believe that all the conditions I have outlined above are desirable. We have basically two objectives in Yugoslavia with reference to the military interests of our own country. One is to deny Stalin the use of Yugoslav resources, territory, and people. The other is to secure the Yugoslav resources, territory, and people as an ally in our fight against Stalin. There is little likelihood of Yugoslavia again becoming the tool of Stalin without armed intervention by Stalin. This armed intervention is most unlikely unless Stalin is intending to precipitate World War III. Therefore, we need not seriously consider sending aid to Tito merely for the purpose of denying Yugoslavia to Stalin. But we can make Yugoslavia a true ally of the West and thus of positive value rather than merely negative value to us by imposing specifically the conditions I have outlined above to any aid to Yugoslavia.

These conditions would help free the people of Yugoslavia from their slavery. These conditions would also help gain for us the true friendship of the Yugoslav people to the extent that we have helped them have their rights restored. This in turn would help improve the Yugoslav economy and thus reduce the possible necessity for further aid and make more effective what aid we do render. Furthermore, the morale and efficiency of the army would likewise improve and we would better be able to count on a real fighting force instead of the doubtful one which now exists. And the establishment of military bases in Yugoslavia would be of great value to both countries.

I do not have any suggestions as to what extent we should render aid to Yugoslavia. A newspaper article recently stated that \$500,000,000 was contemplated for Yugoslavia. I do believe that this figure is considerably larger than is warranted. In view of the State Department's bias in favor of Tito, I believe that any bill drafted by this committee should specifically limit the amount of aid which may be permitted to be used for Yugoslavia.

We must constantly remember that we are dealing with an arch criminal who desires nothing more than to rob us of all he can. We should keep in mind the nature of the regime we deal with here. The story of the British soldier, Rutledge, which was reported in Newsweek, July 25, 1949, is worth recalling. Rutledge wandered across the demarcation lines between the Anglo-American and the Yugoslav zones of Trieste. He was shot and slightly wounded. A Yugoslav sentry walked up to him and shot him again at close range. For several days Rutledge's body lay on a path just inside the Yugoslav border while British requests for its surrender went unanswered. When a reply finally came it stipulated that the body would be returned only upon receipt of a British statement completely exonerating Yugoslavia.

Mr. CARNAHAN (presiding). The next witness this evening is Mr. James G. Patton, who is president of the National Farmers Union.

Mr. Patton?

**STATEMENT OF JOHN A. BAKER, LEGISLATIVE SECRETARY,
NATIONAL FARMERS UNION**

Mr. BAKER. Mr. Chairman, Mr. Patton could not be here this evening. He had to attend an executive meeting at Denver.

I have a brief summary of his statement to read, and I will present his statement for the record.

Mr. CARNAHAN (presiding). That is a rather lengthy statement.

Mr. BAKER. Mr. Chairman and ladies and gentlemen, I am John A. Baker, legislative secretary of the National Farmers Union. I have given Mr. Patton's statement to the reporter for the record, along with five attachments, and I should like at this time to read a brief summary of Mr. Patton's statement.

Mr. CARNAHAN (presiding). Do you want to submit this statement and have it become a part of the record?

Without objection the statement will be printed in the record.
(The statement referred to is as follows:)

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION, IN SUPPORT OF THE MUTUAL SECURITY PROGRAM

Farmers Union appreciates this opportunity to present its view on the Mutual Security Program being considered by your committee at this time. We want to commend your committee for the painstaking way in which you are going into the pertinent considerations.

The problems before your committee have been subjects of a great deal of thought and discussion among the members and officials of the Farmers Union. Family farmers have come to recognize that in the world of today, we in the United States cannot obtain and enjoy peace, prosperity, and democracy if these conditions are not widespread throughout the world.

We want peace, prosperity, and democracy not alone for ourselves but for everyone else in the world. We feel that they are human beings just like us. We think that they share our hopes for peace, our desire for prosperity, and our faith in democratic principles. We realize, of course, that there are always a few power-hungry men in any country, that would like to take over autocratic and despotic powers and deny all liberty and freedom to the rest of the people. But with this exception, the great bulk of the world's people, we believe, share our aspirations for prosperity, peace, and personal liberty.

These ideals can only be attained, for the long pull, in a world brotherhood of prosperous democratic nations living at peace with one another. This is an age-old aspiration of men of good will. It is the ideal we recommend to you as the proper guide in the formulation of the foreign policy of this Nation.

The United States has the greatest responsibility among the nations of the world for consistent cooperative action with the other nations. Our responsibility is greatest because our strength, power, and opportunities are greatest. We, therefore, urge that our Government take the lead in the speedy development of the United Nations and its specialized agencies into a constitutional world government of defined and limited powers.

Although Russia has apparently done all she can to disrupt and discredit the United Nations organization, she has not, fortunately, been successful. United Nations through the General Assembly, if not through the Security Council, has been able to take constructive steps.

Although Russia has joined and tried to disrupt the United Nations itself, she has not for some reason desired to participate in the specialized international action agencies such as Food and Agriculture Organization, World Health Organization, and UNESCO. This fact gives the United States a great opportunity. A successful demonstration of harmonious international cooperation in Food and Agriculture, World Health Organization, and the others would be in striking contrast to the frustrations and confusions currently characterizing the United Nations. Success in the specialized agencies would focus attention upon the obstructionist tactics of Russia and her satellites in the United Nations.

Farmers Union urges that the United States continue to give full support to Food and Agriculture Organization and the other specialized agencies and to show a genuine desire to increase the United States contribution to such agencies as rapidly as the other members will correspondingly increase their contributions.

Family farmers are realists. They have to be. Every day they must overcome the stubborn and unpredictable forces of flood, heat, and storm. Family farmers depend for their livelihood upon the marvelous but mysterious forces of life, disease, and death.

Family farmers have also had to be realists in the realms of economics and politics. Family farmers have found that they must extend their activities beyond their line fences to protect themselves. To meet this need they developed our Nation-wide farm organizations, they adopted the private business cooperative technique, and cooperated with Government in farm programs in the general welfare.

Family farmers inevitably approach the solution of problems in a tough-minded, practical way. I wish every member of this committee could attend our national policy-making conventions and observe the high moral purpose, the patriotism, and the tough realism with which our delegates democratically work out a program they think will best help them to meet their needs and fulfill their aspirations.

HOW THE PRESENT SITUATION DEVELOPED

During and immediately following World War II there were encouraging signs that peace, prosperity, and the extension of democracy and brotherhood might emerge following the horrors of war. We, and our World War II allies, were winning, and finally did win, a long, hard war against three dictators—Hitler, Mussolini, and Tojo.

We established and operated the United Nations Relief and Rehabilitation Administration. We and our World War II allies, established the United Nations. Many nations joined forces and established the Food and Agricultural Organization. Congress adopted the Employment Act of 1946, and went on record for economic stabilization. National farm organizations in many nations came together and established the International Federation of Agricultural Producers. These are but a few examples of the many constructive things that we did.

These attainments gave us some hope that further constructive action could be taken. My own organization, and our Nation, generally, attempted in every proper way to further the extension of democratic government and peace throughout the world. I am glad that we as a Nation, and my own organization, were hopeful and that we acted upon that hope.

But those hopeful conditions did not last very long. It has become increasingly apparent over the months since the cessation of hostilities of World War II, that the men who control the Russian state did not share our faith in democracy nor our desires for liberty, prosperity, and peace for all people.

Instead, these Russian rulers seemed determined to further imperialistic communistic aggression. Wherever the Russian Army was in occupation, the Russian overlords set up little totalitarian dictatorship governments, modeled upon the police system of the Soviet state and subservient to dictatorial directives from the Kremlin. In addition, Russia tried by political, economic, and subversive methods to take over many other areas not occupied by the Russian armies. Some of these attempts were, of course, successful.

With the invasion of South Korea, it became evident for the world to see that Russia is fully willing to foment her puppets to resort to military aggression to further her own selfish imperialistic aims.

The despotic rulers of Communist Russia seem determined to pursue the imperialistic aims of czarist Russia. From the facts known to us, we can only conclude that Russia under the modern Kremlin like Russia under the Kremlin of the czars desires to expand in all directions with the aim of world domination.

They use the same hard-handed, cold-blooded, freedom-denying techniques of geopolitics, made much more effective and terrifying by the adoption of modern methods of communication, propaganda, and modern scientific and technological developments.

Modern militant communistic Russian Imperialism has also adopted the Trojan horse techniques which Hitler used as a fifth column in the form of national groups who play mental tweddles tweddledum with psychoneurotics and the frustrated of all economic levels. But Hitler's fifth column and Tojo's East Asia coprosperity sphere, however, were amateurish tricks compared to the sub-

versive techniques, false promises, and glittering lures that Russia today uses through native channels to ensnare additional peoples and individual areas. Even this, as bad as it is, is not the most compelling danger.

Our basic concern is that the imperialist design of the totalitarian masters of the Soviet Union is to destroy our homes, our farms, our industry, and to fasten slavery upon our people. Our most compelling danger is that the ultimate aim of Russian imperialist expansion, if we do not stop it, is to take over the geographic area of the United States and bend its lands and its people to the purposes of the men in the Kremlin.

That is what the Russian rulers want to do to us and to all the people of the world, inside and outside the Iron curtain. That is the greatest present threat to the attainment of our aspiration for a world brotherhood of prosperous democratic nations living at peace with one another.

I feel sure that the great bulk of the people behind the Iron curtain share our aspirations for peace, prosperity, and democracy as well as our abhorrence of war, totalitarian secret police, and isolation from the rest of civilization. As long as this is true, there is always hope for an ultimate settlement.

But, temporarily, the common people behind the Iron curtain are largely blocked off by their totalitarian governments from cooperating with the people outside the Iron curtain. For the moment they are helping to help themselves. And we are unable now to provide enough of the kind of help they need to throw off their shackles.

But we can give them an example of hope. We can demonstrate the values of democracy. We can beam broadcasts to them. We can be of help in a multitude of other ways, but primarily the burden of giving the concept of democracy, prosperity, brotherhood, and peace a chance to survive and expand in the world rests upon us who are outside the Iron curtain.

Our Nation and the rest of the world may face a minimum of at least three more generations of this struggle between democracy and Russian dominated and inspired totalitarianism. Basically the struggle is a struggle for the control of raw materials and resources. Russia wants to acquire additional land areas so it can take over the resources there and incorporate them into the Russian economic machine. Russia will continue to try to acquire control over more and more of such resources as iron, oil, aluminum, and the others that are the basis of modern industrial strength. This attempt to acquire control of more resources is at the root of their drive for geographical expansion which is backed up by the ideological struggle for men's minds and the use and the threat of the use of armed aggression.

The particular brand of totalitarianism against which we are pitted is one which preaches but does not practice, a glittering and attractive sort of materialism which undoubtedly has considerable appeal to the poverty-stricken, the down-trodden, and the hopeless. This geographical and ideological aggression runs up and down like fever; it takes the form at one time of propaganda, later of diplomacy, and at another time or armed conflict. There is every reason to believe these sporadic outbursts of aggression to obtain additional natural resources and win the minds of men by false promises will continue to flare up in one form and another at one place or another for many years to come.

We may be approaching the end of more than a year of armed combat in Korea. War is still going on in Indochina. The military uprisings in the Philippines are an extension of this struggle between communistic totalitarianism and the forces of democracy. Such outbursts of military aggression may be only the prelude to full-scale world war, or more probably, they are just the first few of a continuing succession of such events.

Democracy can again defeat totalitarianism if the people who believe in democracy have a will to win. But to gain the victory and lasting peace we must win both the ideological struggle for men's minds and the military struggle for area supremacy.

THE JOB BEFORE THE FREE WORLD

While making the United States and the rest of the world outside the Iron curtain strong militarily, we must also demonstrate that democracy, even under forced draft, provides the means to the material, as well as spiritual, improvement in the lot of all the peoples of the world.

The situation I have just described confronts the people outside the Iron curtain with the necessity of building and maintaining a defense against aggression while at the same time it is building the economic and political strength

and understanding necessary to extend democracy, improve living standards, and establish an international brotherhood.

Our efforts to build economic, political, and military strength start with what we have. To go somewhere, we have to start from where we are, even though it looks as if we could not get there from here. This means that your committee must carefully examine the situation of each country that is outside the Iron curtain.

You have already received and will continue to receive the testimony of many experts. You have before you the committee print of basic data supplied by the executive branch. We have studied this material carefully. Without going into detail I should like to say that it largely substantiates my own observations in some of these countries coupled with information I have acquired in discussion with other members of the International Federation of Agricultural Producers, and the foreign observations of other officials of Farmers Union. The descriptions of the problems appearing in each regional section of the committee print are, as far as I can determine, accurate, if not entirely complete, appraisals of what the problems are in the countries of each region.

With respect to the European appraisal I would add only three points. First, several of the European nations need to make improvements in their land tenure and land utilization patterns; second, international economic integration of European agriculture is an essential element of economic strength and increased agricultural productivity in the area; third, some European national governments need to move more rapidly than in the past toward more democratic forms of government.

The committee print statement on the Near East and the independent countries of Northern Africa does put nearly enough emphasis upon the need for land reform and for faster strides toward greater democracy in government. Land development, economic investments, and economic aid alone will not strengthen this area sufficiently in absence of educational, cultural, and institutional changes required to see to it that basic understanding of democratic processes and the benefits of economic progress and national defense are widely distributed among all the people.

On this point I invite your attention to the report of a committee of experts prepared for the United Nations called Measures for the Economic Development of Underdeveloped Countries. Chapter III of this bulletin covers these preconditions I have mentioned. Since this chapter is not very long, I should like to offer it for the record as a part of my statement (attachment A).

The pressing need for properly sponsored reform of all the economic and social institutions surrounding farming and farm life is also very great in Asia and the Pacific. These nations and our own Government have already done a great deal on this. I should like to invite your attention to several items which document our actions to further land reform. These items include—

1. A copy of a letter I wrote to the Administrator of Economic Cooperation Administration on this subject (attachment B).

2. An address of Secretary of Agriculture Charles F. Brannan before the Association of Land Grant Colleges and Universities (which was printed in the Congressional Record of January 17, 1961).

3. Senator Sparkman's address to the General Assembly of the United Nations in connection with a resolution on land reform that was adopted by the General Assembly.

4. A resolution adopted on land reform by the fifth annual meeting of the International Federation of Agricultural Producers (attachment C).

5. The address of Under Secretary of Agriculture, Clarence J. McCormick, before the council meeting of the Food and Agriculture Organization which met recently in Rome, which I am offering as attachment D.

The committee print of basic data does not do full justice to the importance of the other American republics nor to the magnificent potential they have of helping out in the mutual job of building strength for peace, prosperity, and democracy.

The need for reforms in the economic and social institutions of agriculture in Latin America is, again, largely overlooked in the committee print. In this matter, I invite your attention to a resolution adopted at Montevideo by the agricultural section of the Organization of American States. I offer a copy of this resolution for the record (attachment E).

When we have examined the economic situation of the different countries outside the Iron curtain, except our own, we find that none of them has the present ability to build the strength they need as rapidly as the world situation

demands. We can assume and must demand that each of these countries do all they can themselves. But I feel sure that you will conclude, as I have, that we must help them to help themselves.

BACKGROUND OF UNITED STATES DECISION

This leads us to the question of what the United States should, and can, do to help most effectively. That is the major question before your committee. It is a vitally important matter for the world and for the United States.

The family farmers of this country are not unfamiliar with the necessity of making decisions of the kind which face your committee and the Nation at this time; nor are our family farmers unaccustomed to making such decisions. Let me illustrate what I mean.

A frequent occurrence within the farm family is the necessity of making a hard choice about how to use the proceeds of a particular cream check or the funds received in payment for a load of hogs. The money could be used to buy a couple of new dresses for the farm wife, a new suit for pa, and some extra toys for the kids. The same money could be used to build an addition to the barn that would provide protection for some new machinery, for additional livestock, or to put up more hay or feed.

Quite often there isn't enough money on the farm at one time to do both.

So a hard decision has to be made whether to protect the capital resources that have already been accumulated and that can be used to produce more income in the future and for a while do without the additional dresses and suits and toys and other family living goods. Even in good times the farm family must make countless decisions of this kind.

It has been common throughout our history for young farmers, and those who were not so young, to improve their barns before they improve the house the family lives in. And when you stop to think of it, this is not such a dumb decision after all. With a better barn there is a possibility of lower costs and a higher income leaving a greater net from which to cover the cost of improving the home.

In international affairs, likewise, we must decide whether to invest in those things that will protect us against aggression and build toward peace, prosperity, and the preservation and extension of democracy at the temporary expense of the higher standard of living that might have been possible if the same effort had been put in peacetime pursuits. The question is, Shall we expand and strengthen the barn? The question is as simple as that, and as fundamental.

Out in my country, wolves are a threat to our livestock. As you know our farmers and ranchers have not sat idly by and tried to accommodate themselves to the prospect of expanding numbers of this predatory beast.

We have taken guns in our hands with a view to protection. And through our governments we have provided economic assistance and economic incentives, in the form of bounties, to those who are willing to join our campaign against wolves. We haven't yet gotten rid of all the wolves, but we're keeping them under better control than if we had refused funds to pay bounties.

The United States must play a major role in assisting the free world to resist the encroachments of the predatory forces in international affairs and to ultimately roll them back. Our aim must be to build maximum strength—political, economic, social, and military—in the United States and throughout the free world.

Fortunately, even under present circumstances, this aim does not require actions that completely conflict with the kinds of progress we would want under more desirable circumstances to bring about the economic and political development that would lead toward sustained and widely distributed abundance in a peaceful democratic world.

Much that we must do to build a defensive shield against Russian dominated and planned totalitarian aggression will contribute constructively and permanently to the building of a better world even though considerable funds are expended in purely defense mobilization activities. It is unfortunate and tragic to rank and file people everywhere that such a large part of our stepped-up efforts must go into military defense. But in building those military defenses we not only build a defensive shield to protect the attainments we have already made but we can, also, if we are wise, make a vast net contribution to the welfare of the world. As a matter of fact a large share of our domestic program and of our foreign assistance must be channeled into improving economic and political conditions if the military defense shield is to be as secure as we would like.

SIZE OF PROGRAM

Some of the witnesses who have appeared before your committee have said that the current need for defense expenditures and foreign assistance far exceeds our ability as a nation to provide. Although I have no particular argument with that point of view, I am not at all sure that it expresses the really pertinent question that the Nation and your committee is called upon to answer. I feel quite sure, without examining a lot of statistics and financial reports, that the maximum physical and economic ability of our Nation to divert resources and manpower from civilian goods to defense and foreign assistance, if total war were imminent, would very greatly exceed the proportion of such resources that wisdom would now dictate that we should so allocate.

So the really pertinent inquiry is how large a total effort we should make and what proportion of the resulting total national output would it be wise at this time to devote to domestic defense expenditures and foreign assistance.

The present period of international tension will, in my opinion, last a long time. Meanwhile, life and progress must go on. This means that we should adopt the size of program that we think the Nation can accomplish in stride, year in and year out, without sacrificing the values and personal integrity which our defensive shield must protect. We believe that some such workable approach is more conducive to the building of maximum sustained military and economic strength than any other alternative.

To arrive at the proper tempo, different people and different groups will make different sorts of calculations. What any of the calculations come down to is a judgment of how much resources and how many man-hours we as a nation and as individuals are willing to put into the crusade for freedom.

We must all remember that it is our liberties, our prosperity, and the prospects for peace that are at stake. We have estimated what different rates of expenditure for foreign assistance would come to in taxes for farm families in each of the income groups. Checking through these figures, we have concluded that the President's recommendation of \$8,500,000,000 is moderate.

Your deliberations are being conducted during a period of uncertainty—uncertainty concerning the next moves of the Kremlin and also concerning the final outcome of the cease-fire talks in Korea. We must, however, realize that there is no security, but insecurity. Actually, man never moves forward when searching for security. Only when he is daring does he have security.

We must not allow our hopes for a Korean cease fire to lull us into a feeling of false security. Even the genuine attainment of a secure and genuine cease fire or armistice in Korea would not change the basic underlying necessity for the United States to contribute abundantly to building the economic and political strength and understanding required to move as rapidly as we can toward a world brotherhood of prosperous democratic nations living together at peace.

It is our recommendation that the outcome of cease fire talks not be allowed to affect the total amount of appropriations to be authorized for foreign assistance. With or without a cessation of armed hostilities in Korea, we recommend that the United States make an annual investment of at least \$8.5 billion in building an integrated economic and military strength of the free world.

In the conduct of our foreign economic assistance programs, as much as possible of the assistance should be extended through appropriate international agencies. A desirable corollary policy is that bilateral arrangements in the extension of foreign assistance should be used only to the extent that international agencies cannot for some imperative reason carry out the proposed project and for the extension of economic aid beyond the capacity of the appropriate international agency to expand rapidly enough to undertake.

ALLOCATION OF FUNDS TO SPECIFIC PURPOSES

While we do not think the total over-all authorization should be reduced even if we are able to work out a genuine cease fire in Korea, we do recommend that the allocation of the funds among the different forms of foreign assistance should be shifted from finished manufactured goods—consumers goods and military end products to productive goods—machine tools, assistance in building factories, developing new sources of power and raw materials, and provision of technical assistance.

Accordingly I have prepared two sets of recommendations: One set will indicate the allocation of the \$8.5 billion total that we recommend in case no genuine cease fire can be negotiated in Korea. The second set of figures is the

allocation among forms of assistance that we recommend should be authorized in case of a genuine cessation of hostilities, in Korea.

The President's recommendation was \$3.3 billion for military aid and \$2.2 billion for other forms of foreign economic assistance. I am sure the committee will consider these recommendations carefully. I am sure that you will insist that as much as possible of the projected aid be in the form of assistance to the other nations to build expanded plant capacity and to do their own production with their own manpower and natural resources rather than in the form of end products such as relief, finished goods, and military end products. This is the only means by which we can help the free peoples to help themselves. I recognize, of course, that considerable amounts of foreign assistance must be in the form of finished goods to meet the deadlines of military and strategic expediences that cannot await further economic development in areas where needed, but I hope that this can be kept to a minimum.

For this reason the restrictions imposed by section 104 of the Mutual Defense Assistance Act should be eliminated in whatever legislation this committee recommends and the Congress enacts.

With the elimination of the restrictions contained in section 104, I believe that probably as much as \$1 billion could be shifted from the \$3.3 billion for military end products to other forms of assistance without damage to the military defense programs of the nations to be aided. If this is true, and assuming no Korean cease fire, this shift would result in \$3.2 billion for nonmilitary assistance and \$5.3 billion for military end products.

In case of a genuine cease fire in Korea, I recommend that a further increase of \$1 billion be made in the nonmilitary assistance with a corresponding reduction in the funds provided for the granting of military end products. Acceptance of this recommendation would provide, in the case of a genuine cease fire in Korea, that \$4.2 billion should be allocated to assistance in forms other than military end products and \$4.3 billion allocated to military end products for shipment abroad.

Information that we have studied in meetings of the National Advisory Committee on Mobilization Policy has impressed me with the very great rapidity with which our scientists and development engineers render existing models of tanks and airplanes obsolete. If the Russians are improving their models only half as rapidly, I would not want our side to get caught with a lot of our raw materials already made up into obsolete airplanes and tanks and electronic devices.

If we do get a genuine cessation of hostilities in Korea, I would like to see us concentrate more of our efforts both in foreign assistance and in the defense program here at home on resource exploration and development, expansion of productive capacity, raw materials stockpiling, and vocational and scientific education to build even more rapidly the underlying economic strength that will continuously give us the ability to produce greater quantities than we otherwise could of the then most recent models.

A genuine cease fire in Korea will give us an opportunity to put greater attention on building fundamental economic strength with less of our efforts devoted to a feverish attempt to increase our supply of finished military goods in forms that may soon be obsolete. If we do not relax but shift the emphasis of our efforts, we can frustrate whatever aim the Kremlin has in trying to lull us now into dropping our guard.

LEGISLATIVE SEPARATION OF FORMS OF ASSISTANCE

We want to recommend that in whatever legislation is written to authorize the Mutual Security Program, the different forms of foreign assistance should be set off in separate titles, one title for each of the following forms of assistance:

- (a) Relief and rehabilitation.
- (b) Military end products.
- (c) Foreign economic development—

- 1. Through private loans and investments, United States firms and persons.
- 2. Through loans by the United States Government and its instrumentalities and through international credit agencies.
- 3. Through grants from the United States.

- (d) Technical assistance.

Any foreign procurement programs should be coordinated with economic assistance programs.

We feel that this suggested separation of the proposed bill into functional titles is an important consideration, both to make our basic aims known to other

nations and to increase the understanding of the legislation by our own people. If the authorizations are separated in this way, all of us can understand better just what it is that we propose to do and we can keep a better check on the actual progress and accomplishments of different parts of the total program.

For convenience of reference, I have here a brief table that summarizes the appropriations I am recommending for each of the different forms of foreign assistance. You will notice the two sets of figures, one based on no cease fire in Korea and the other based upon a genuine cease fire.

Form of assistance	Recommended appropriation	
	No cease-fire	Genuine cease-fire
Total.....	\$4,300,000,000	\$4,300,000,000
Technical assistance.....	164,000,000	300,000,000
Grants for economic development.....	2,873,000,000	3,737,500,000
United States contribution to economic development revolving fund 1.....	1,400,000,000	1,800,000,000
Set aside to guarantee private foreign investments by United States citizens 1.....	100,000,000	200,000,000
Military end-products.....	5,250,000,000	4,230,000,000
Relief and rehabilitation.....	212,500,000	212,500,000

1 Loan funds not included in totals at head of columns.

You will also notice that I have not shown a recommended regional allocation of the funds. This is deliberate. We do not agree with the basic concept underlying the lumping of all the functions together regionally. We think it would be a mistake for regionalization to be the major structure of this proposed legislation. In carrying out these programs we will not be dealing primarily with formally organized regional groupings of governments.

Almost all of our direct dealings will be with international organizations and with individual sovereign nations. We recommend that the major divisions of the legislation into titles be along functional rather than regional lines.

TECHNICAL ASSISTANCE

The limiting factor in the provision of technical assistance is neither the need nor the available funds to make the expenditure, but rather the limited number of available technicians, and the speed with which we can develop a sound and effective program. I would personally like for us to move a great deal faster than these limiting factors will allow. But taking account of these limiting factors, which many who oppose the program will tell you are a great more limiting than they really are, I recommend that the following amounts be made available for technical assistance:

In case of no cease fire in Korea..... \$164,000,000
 In case of a genuine cease fire..... 250,000,000

These recommended funds would be available for the type of technical assistance and technical-collaboration programs as are currently conducted by the Office of Foreign Agricultural Relations in the Department of Agriculture and by the Institute of Inter-American Affairs, the Technical Cooperation Administration of the State Department and by the Economic Cooperation Administration.

We recognize that there has been some controversy among those who believe strongly in one or another of these forms of technical assistance. Each group of partisans seem to favor his own approach to the exclusion of the others--our attitude is that there is a place for the "Services" type of technical assistance performed by the Institute of Inter-American Affairs, along with the other types, but we do not believe that our entire national effort should be channeled through this one device. There are several effective approaches; our Government should make full use of all of them.

It is also my recommendation that, in addition to the scientific and professional type of personnel that these programs are currently sending overseas, that the technical-assistance work be augmented by working United States farmers; actual shop, factory, and foundry workers; by typical United States citizens from all walks of life. These ordinary citizens would join into farm

and village life in the other nations to pass on the magnificent skills that have made United States farmers and workmen the most efficient per man-hour of any people in the world.

Let me take a farm illustration to show you what I mean. At the request of the Government of India, the United States Department of Agriculture has a trained United States extension agent working with a group of villagers in India. He has helped train a number of Indians and together they are teaching the local farmers how to improve their production by using the things they have—such as improved varieties and local legumes. In 3 years the farmers in those villages have doubled their wheat production and increased other crops almost as much.

Unfortunately there is a limit to the number of men of this kind that we have to send abroad. So I would propose that we send a number of farmers over to help him. These farmers would live in the village, work closely with the farmers and help them learn how to solve their own problems. They might help them form a cooperative, or a farm organization, or buy an improved bull or bring in some better chickens.

The same thing could be done with industrial workers and small-business men. The rewards of this kind of program not only in the teaching of technical skills but also in people-to-people good will would be very large for each dollar spent. A few of our best people are doing this with young farmers and it is working extremely well. So we are speaking from practical experience.

This program would also work in reverse. When the farmer came home after a year or two he would bring several of those farmers with him—men picked for their potential leadership ability. The Indian farmers would live on the farm of the American and some of his neighbors.

We should greatly increase the number of citizens of foreign nations that are provided with on-the-job training in the United States, and we should encourage them to stay here long enough really to acquire advanced skills and technical know-how. I doubt if our money is being well spent when we bring a foreigner over here and he stays only a month or 6 weeks.

Language schools would, of necessity, have to be provided as would transportation and subsistence. Here again, the returns in good will, international understanding, and increased diffusion of technical knowledge and skills would far outweigh the dollar cost.

FOREIGN ECONOMIC DEVELOPMENT

Grants

As you see in the table, I am recommending an authorization and appropriation for grants in aid of foreign economic development of nearly \$3½ billion in case of a genuine cease-fire. The "no cease-fire" total, \$2.87 billion, is made up of the \$1,873,000,000 recommended by the executive branch for economic assistance to Europe plus the \$1 billion that is to be shifted from military end products by the elimination of section 104 of the Mutual Defense Assistance Act, plus the funds recommended by the President for nations in regions outside Europe. In case of a cease-fire in Korea, we should put additional funds into resource exploration and development, plant capacity expansion, agricultural land development, and other forms of expanding and strengthening the basic economies of nations outside the Iron curtain. In the total of \$3½ billion, I have included funds for additional land reclamation and development in southern Italy, farm consolidation and enlargement in southern France and elsewhere and for economic development generally in the dependent territories of Africa. The remaining funds I have recommended in the event of a cease-fire would be available to provide financial encouragement to expanded economic development of all types in regions outside of Europe.

Authorizations in these amounts would allow the initiation of some really important economic development projects—projects that would be sound and practical applications of the kind of internal improvements continuously authorized in the United States throughout our 175 years of history since the Declaration of Independence announced the birth of modern democracy and economic evolution to the world.

Our own internal improvements, the canals, and waterways, the land grants to railroads, the multipurpose dams, and the rest were very important contributions to the economic progress of our own Nation as it pursued its "manifest destiny."

Similar good results can be expected in other nations from United States financed and encouraged economic development.

The Congress should require that United States funds advanced for economic development be matched by local funds and/or economic goods or services in a ratio to be determined for each country by the President. Regulations and restrictions relating to these matching funds should be the same as those now required under the Economic Cooperation Act for the so-called counterpart funds. These counterpart funds should be used as a means of integrating the entire Mutual Security Program with the total resources of the free world. Not nearly all of the jobs required to build economic and military strength and better political understanding require the use of dollars. In many cases non-dollar counterpart funds can get the job done. Nations receiving aid should contribute according to their ability counterpart funds to be used in financing additional projects to further the purposes of the Mutual Security Act. We feel that this purpose can be attained through appropriate international negotiations under current regulations concerning counterpart funds but would represent a change in existing procedure and practice. This should be done in a manner consistent with the dignity and nationalism of cooperating countries.

At least some part of the economic assistance funds extended to Europe, plus matching counterpart funds, should be earmarked for agricultural credit and technical guidance to further the aim of agricultural economic integration of that area. A part of these funds should be available for short-, intermediate-, and long-term agricultural production, farm enlargement and improvement, and farm-purchase credit.

Another part of the funds should be available for the establishment of a West European agricultural commodity stabilization fund similar to the Commodity Credit Corporation in the United States. Other funds should be made available to initiate a crop-insurance program for the area on a sound experimental basis.

In no case should the entire cost of an economic development project be taken from the grant funds I have just recommended. As a matter of fact I would hope that the bulk of the costs involved in these projects could be financed with local private and governmental funds in conjunction with long-term loans obtained from an international development revolving fund of the World Bank and from loans advanced by the United States Export-Import Bank.

I hope that if we establish the appropriate environment and special encouragement, there can be a surge of foreign investment on the part of private firms and persons of the United States on a basis mutually advantageous to our investors and the people in underdeveloped countries. The primary purpose of the grant funds I have recommended in this section is to facilitate and encourage as a sort of catalytic agent, the undertaking of economic development projects that can be largely financed in one of these other ways.

Loans

I recommend that this section of the proposed legislation authorize the use of \$1,800,000,000 in case of a cease-fire, or \$1,400,000,000 in case there is no cease-fire, to establish revolving funds from which loans can be made for foreign economic development projects of the type described above. I suggest that at least \$800 million in case of a cease-fire or \$400 million otherwise, be earmarked for the United States contribution to an international economic development fund to be administered by the World Bank, provided that other nations will put up in total a somewhat larger amount. A part of this fund could be used to create an UN revolving fund for loans to cooperatives. The other \$1 billion would be an addition to the funds of the Export-Import Bank to make loans to further the purposes of the mutual security program. The World Bank should not be restricted by the present requirement of securing its loan funds in the private investment market.

ENCOURAGEMENT OF PRIVATE FOREIGN INVESTMENT BY UNITED STATES CITIZENS

The economic development of our own Nation was largely done by private funds very greatly encouraged in many cases by governmental guarantees and Federal grants-in-aid. Federal guaranty of private loans and investments is an accustomed and accepted method of encouraging private investment to enter fields important to the public interest where the risk is high. These same conditions prevail in respect to foreign investment for United States private capital.

We have never hesitated in this country to provide encouragements and assistance to private investments in high risk enterprises if the public interest was thereby advanced. We should not hesitate now with respect to foreign investment. We want and need private foreign investment, not for purposes of imperialism

or exploitation, but rather for sound economic developments for the benefit of the economy and the people of the areas where the investments are to be made, as well as for an outlet for some of the domestic United States savings that would result from a maximum production economy.

To accomplish this, I recommend the following actions:

We need to move as rapidly as we can to negotiate whatever treaties are required to aid nations in developing an environment in which private foreign investment has a chance for success.

We should be willing, and I recommend that you incorporate in this Mutual Security Act, relief from double taxation of income produced in other countries by United States companies.

In addition, it is my recommendation that you set aside a contingency fund of approximately \$100,000,000 in case the Korean fighting continues, or of \$200,000,000 if the hostilities are brought to a genuine close, to serve as a fund from which losses incurred from foreign loans and investments, through no fault of the private company, may be reimbursed: *Provided, however*, That sufficient safeguards should be included in the legislative authorization to insure that the program will in no way guarantee profits or monopolistic control by United States companies.

RELIEF AND REHABILITATION

I recommend the United States should make its full contribution of \$162.5 million to the United Nations to finance the work of the United Nations Korean Reconstruction Agency. The total amount would be too small, even if it were larger, to do more than partially restore the war-torn people of Korea and their economy. No expenditure, no matter how large, would make up for the heart-rending suffering of that courageous and war-torn country. This amount would represent the \$50 million already appropriated plus the \$112.5 million that has been requested by the executive branch.

I also recommend that the United States make its full contribution (\$50 million) of funds required by the United Nations to reintegrate the Arab refugees in the Near East.

We cannot foresee at this time what new developments may occur in other countries outside the Iron curtain that may require the type of assistance I have recommended for Korea and the Arab refugees. So that we may be able to move into operation with the needed relief program without waiting for specific congressional authorization, I recommend that a foreign relief contingency fund of \$50 million be established as one of the provision of the Mutual Security Act. This would come to a total of \$212.5 million for relief and rehabilitation purposes.

With regard to the UN relief programs, I hope that our Government will exercise some close review of the staffing plans of these agencies. I am absolutely opposed to the development in New York, or any other headquarters, of a large staff of high-salaried men to mastermind these relief and rehabilitation programs.

A large group of highly paid staff parasites in New York or elsewhere will be of no real aid to the war-numbed and homeless Korean people or the Arab refugees. I recommend that our Government insist upon a heavy allocation of administrative budget to field operations and a stringent limitation on headquarters office staff. Administrative costs of international relief should be kept to a minimum; so a maximum is available for substantive expenditures. Workers employed for field work should be those who have a full knowledge of and sympathy for democracy and the needs and feelings of the unfortunate peoples who are being aided. For example, the field staff of the UN Korean Reconstruction Agency should be made up, as far as possible, of Orientals acceptable to the Koreans.

LAND REFORMS

The United States agency or agencies entrusted with the administration of the mutual security program should be required by the authorizing law to be prepared to insist that full consideration of necessary reforms in agricultural, economic, and social institutions should be given with respect to all phases of every project or program of economic development and technical assistance that is approved. I again invite your attention to the recommendations included in my recent letter to the Economic Cooperation Administration, which I have offered for the record.

ADMINISTRATION THROUGH INTERNATIONAL AGENCIES

The agencies administering these programs should be required by the law to operate as much as possible of the authorized programs through the United Nations and its specialized agencies such as the Food and Agricultural Organization. My organization looks upon these international agencies as the nucleus upon which a democratic world federation will one day be built. We should push these agencies to take on additional programs and functions just as rapidly as they can expand soundly to administer them.

In some cases, the most effective way of enlisting the efforts of international agencies is a procedure whereby the Overseas Economic Administration would decide upon the specific project to be carried out and contract the job of doing the work to a selected international agency. The Mutual Security Act should authorize the use of this procedure.

ADMINISTRATION

Farmers Union concurs with the recommendations of many other groups that the administration of all forms of economic assistance authorized by the proposed Mutual Security Act should be placed in a single unified agency outside any presently existing department or agency of government. The new agency should absorb the personnel and functions of the Economic Cooperation Administration and of the Institute of Inter-American Affairs, the Technical Cooperation Administration and several other units in the State Department. Actual administration of the military end-products should be in the Department of Defense, subject to general policy established by the National Security Board and the President. This new agency should be built upon the existing structure of the organizations named but would be so reorganized that it will become an entirely new agency.

Another principle of administration that should be required by the authorizing legislation is that the new agency shall make full and complete use through contracts and reimbursable working agreements, of the personnel and facilities of existing governmental departments and agencies rather than attempting to build, by transfers or outright hiring, entirely new and complete functional services within its own structure.

Let me give an example or two. The various agencies of the Department of Agriculture are the world's greatest depository of technical, scientific and professional knowledge and skill on all matters relating to farming and farm life. This Department, through its Office of Foreign Agricultural Relations, can bring to use by the new agency the full resources of this great group of agriculturists and of the cooperating land grant colleges, state experiment stations and extension services.

We need United States agriculture, as such, to participate in the implementation of programs. The Department of Agriculture, through its field offices, could do a great deal to provide for this participation and could do the work of interesting farm families in overseas technical assistance work and could supervise the training of farmers from other countries brought to our farms by the expanded technical assistance program I have recommended.

The same general principle holds with respect to the Public Health Service of the Federal Security Agency.

We should push out as much of this foreign economic development work as we can to the UN and to its specialized agencies. We should encourage these international agencies to take on these additional duties just as rapidly as they can efficiently and effectively. Doing so will relieve our efforts of any stigma of imperialism.

Provision should be made in the legislation for the appointment of a Public Advisory Committee on Foreign Economic Affairs and an Inter-Agency Board made up of an official from each of the major federal departments and agencies concerned with economic problems of foreign relations.

This we believe to be the minimum foreign economic assistance program that the United States can with safety and good conscience undertake annually for the next several years. It is a program that is urged by humanitarian motives, moral principles, and enlightened self-interest. It is the minimum program that we can embrace to hasten the ultimate establishment of a brotherhood of prosperous democratic nations living together in peace. It is the way to greater strength for democracy, prosperity, and peace.

(Attachment A)

CHAPTER III—PRECONDITIONS OF ECONOMIC DEVELOPMENT

23. Economic progress will not occur unless the atmosphere is favorable to it. The people of a country must desire progress, and their social economic legal and political institutions must be favorable to it. In this chapter, we discuss the psychological and social prerequisites of progress. The next chapter discusses questions which are more clearly a matter for legal or administrative action.

24. Economic progress will not be desired in a community where the people do not realize that progress is possible. Progress occurs only where people believe that man can, by conscious effort, master nature. This is a lesson which the human mind has been a long time learning. Where it has been learnt, human beings are experimental in their attitude to material techniques, to social institutions, and so on. This experimental or scientific attitude is one of the preconditions of progress. The greatest progress will occur in those countries where education is widespread and where it encourages an experimental outlook.

25. Even where people know that a greater abundance of goods and services is possible, they may not consider it to be worth the effort. Lack of interest in material things may be due to the prevalence of an other-worldly philosophy which discourages material wants. It may also be due to a relative preference for leisure. In the latter case, the amount of work people wish to perform will be small, but they will not necessarily be averse to measures which increase the productivity of such work as they do. A high preference for leisure is not consistent with great material possessions, but it is not necessarily inconsistent with economic progress.

26. Alternatively, people may be unwilling to make the effort to produce wealth if the social prestige which they desire is more easily acquired in other ways. Thus, in feudal or aristocratic societies where power is inherited rather than earned, and where little respect is accorded to wealth which has been created in the first or second generation, the energies of ambitious men are not attracted so much to the production of wealth as to the acquisition of skills which may secure entry into the strongholds of power—to the acquisition of military skill, or the skill of the hunt, or the skill of the lawyer or priest. In such societies, the production of wealth is frequently held in contempt as a profession for well-bred young men. By contrast, economic progress is rapid in countries where the successful organizers of economic activity are among the more highly prized members of the community.

27. Where wealth confers power, and is desired, there may nevertheless be lack of enterprise for a variety of reasons.

28. In the first place, men are in general unlikely to make efforts where they cannot secure the fruit of their efforts. Thus, little progress occurs in countries where governments are too weak to protect property or where civil disorder is endemic. Neither is there progress where governments act arbitrarily in requisitioning property—as happened in the past on frequent military campaigns.

29. Even the demands of the family may discourage initiative if family obligations extend over a wide network of persons, and if enterprising members of the family resent being subject to the claims of their more distant relatives.

30. In societies where production is left to private enterprise, initiative will be weak unless the property institution creates incentives. Thus, livestock cannot be improved if all pasture land must be used in common; neither can improved rotations be practiced in agriculture if the enterprising farmer is not allowed to enclose his land. In some African communities where land has been held in common, the introduction of permanent agriculture has produced tensions because of the desire of the progressive farmer to protect his investment in a particular piece of land. Private enterprise and communal property are not always consistent with each other and with economic progress.

31. Defects of the law are also frequently a reason why a man cannot secure the fruit of his efforts to himself. For example, the law governing the relations between landlord and tenant may not adequately protect the right of the tenant to unexhausted investment which he has made in the land. Some of these legal defects are discussed in the next chapter.

32. In the second place, producers may be prevented from innovating by custom or by law. In some societies, for example, the techniques and rituals of agriculture are prescribed by priests, and an innovator would be committing sacrilege. Or the technique may be prescribed by law, as in the edicts of Col-

bert, the seventeenth century French statesman. Even in the most advanced societies, pressures are frequently organized to prevent the adoption of technological improvements.

83. Thirdly, potential enterprisers may be denied opportunity by the social system. To begin with, in any society inequalities of wealth may deny equality of opportunity to the greater part of the population, and keep ignorant many persons who, given the opportunity, would contribute to raising the national income. This is at its worst where the society is stratified by caste, color, or creed, and where whole sections of the population are deprived of opportunity by law, by custom, or by chicanery. Rapid economic progress is seldom found in societies which do not have vertical mobility or where a section of society is seeking to maintain special privileges to itself.

84. The social system may also deny to enterprisers the resources they need for organizing new units of production. Thus it may not be possible to recruit labor, because it is tied to the soil by law, or because caste restrictions prevent labor from moving to new occupations. Or land may be concentrated in the hands of a small number of persons who are unwilling, often for reasons of political prestige, to sell it to persons outside their group. Or the banking system may discriminate against borrowers of a particular race or creed. Horizontal mobility of resources is, like vertical social mobility, a prerequisite of economic progress.

85. Potential enterprisers may also be excluded by monopolistic organization of production. Sometimes this results from the concentration of wealth in a few hands. Or it may be the organized pressure of a number of small producers, banded together to protect themselves against competition. In either case, the monopoly may be backed also by legal restriction on free entry. Rapid economic progress is bound to damage some persons whose fortunes are tied up with old techniques.

86. There is a sense in which rapid economic progress is impossible without painful readjustments. Ancient philosophies have to be scrapped; old social institutions have to disintegrate; bonds of caste, creed, and race have to be burst; and large numbers of persons who cannot keep up with progress have to have their expectations of a comfortable life frustrated. Very few communities are willing to pay the full price of rapid economic progress.

87. In our judgment, there are a number of underdeveloped countries where the concentration of economic and political power in the hands of a small class, whose main interest is the preservation of its own wealth and privileges, rules out the prospect of much economic progress until a social revolution has effected a shift in the distribution of income and power.

88. There cannot be rapid economic progress unless the leaders of a country at all levels—politicians, teachers, engineers, business leaders, trade unionists, priests, journalists—desire economic progress for the country, and are willing to pay its price, which is the creation of a society from which economic, political, and social privileges have been eliminated. On the other hand, given leadership and the public will to advance, all problems of economic development are soluble. We wish to emphasize that the masses of the people take their cue from those who are in authority over them. If the leaders are reactionary, selfish, and corrupt, the masses in turn are dispirited, and seem to lack initiative. But if the leaders win the confidence of the country, and prove themselves to be vigorous in eradicating privilege and gross inequalities, they can inspire the masses with an enthusiasm for progress which carries all before it.

MAY 4, 1951.

(Attachment B)

HON. WILLIAM C. FOSTER,
Administrator, Economic Cooperation Administration,
Washington 25, D. C.

DEAR BILL: I have some comments and recommendations relative to the place of land reform policy in our foreign relations. This is a question in which I am deeply interested and on which I have a very deep feeling.

At the outset, let me say that in my thinking, land reform means much more than agricultural land ownership and the conditions of tenancy. It refers, in my opinion, to profound goals of human welfare which can be achieved by this means. Politically, a just and secure tenure system confers on the rural masses a great stake in private property institutions while insuring the economic aspect by securing to the producer a fair share of the product. But a wide initial

distribution of land among many small owners does not in itself guarantee the persistence of that pattern. Indeed, exploitive tenure systems are the end product of multiple causes among which have been found unsound taxation systems, usury, adverse marketing conditions, resulting in high prices for the goods and services needed by the farmer and extremely low prices for his product, lack of technical guidance, poor tools and inefficient methods. These and other less direct causes, such as adverse health and malnutrition, are almost certain causes for the failure of programs confined to the narrow concept of a change in the existing tenure pattern.

A good general definition of the term "land reform" is the provision of that pattern of land distribution among individual producers which, conforming to regional cultures, insures a wide distribution of land as property or as rights in land among producers, security of their tenure, and a fair share to them of the agricultural product. It should be clear from the foregoing that by the term "land reform" I contemplate not only a wide and just distribution of the land itself but also closely coordinated programs, simultaneously effected, for tax reform, adequate credit systems, cooperative legislation, technical guidance, discovery of improved methods and tools, and finally of affiliated programs of health, sanitation and education.

I wish to make it very clear that I am not discussing or advocating any particular form of tenure arrangement. I am perfectly aware that forms of landholding vary widely in different parts of the world and are often deeply imbedded in the indigenous culture. These cultural limitations must be fully understood and respected. For this very reason I have defined the term "land reform" in terms of its objectives rather than in a legal sense. I wish to make another proviso to the effect that land reform should never be conceived in narrow punitive terms implying the objective of turning out one set of owners in favor of another. Such a concept misses the point entirely, which is the strengthening of the general welfare of the rural population while serving the ends of democratic institutions.

Our own land tenure system, together with the other economic and social institutions surrounding agriculture in the United States, has been throughout our entire national history a strong bulwark of democracy. In most countries, as in the United States, economic progress and political stability in a free society is conditioned by the prevailing pattern and type of agricultural institutions, of which land tenure stands at the center.

If our foreign policy and its implementation through economic and technical assistance programs is to be most effective, it will require the active support by the United States of specific reform measures which are required to alleviate the underlying problems of poverty, political unrest, and lack of hope of the mass of the people in large areas of the world. Yet a criticism of undemocratic ideologies alone will not attain our objectives. The development of specific, positive policies is indispensable. In some of the countries with the greatest population in the world, unsatisfactory farm tenure, agricultural marketing, taxation, and credit policies have led to a state of hopelessness, discontent and unrest on the part of their entire population, for it must be emphasized that for almost all of Asia, Africa, South America and considerable portions of Europe, the entire population is altogether rural or semirural. That these conditions can be overcome through an actively supported, broadly conceived land reform program is dramatically attested by the successes of similar policies in Korea and Japan, as well as by our own national history. Moreover, when we take leadership of this type, we gain a deadly weapon with which to combat Communist agrarian doctrines.

Here is what I would recommend that we should adopt as our national policy on this subject:

1. In our foreign economic-assistance programs, the United States Government should insist that adequate provision for land reform be included in every phase of each undertaking, involving any country in which 60 percent or more of the population is engaged primarily in agricultural pursuits. This would include both the development phases and the operational phases. I would not go so far as to make the adoption of a complete land reform program an iron-clad requirement on the part of a country before receiving foreign economic assistance from the United States. However, we should require at least a few decisive steps in the direction of land reform as defined above. I would also set a requirement that all foreign economic assistance to agriculture be predicated upon arrangements adequate to insure that the benefits of United States aid would go to the man who actually works on the land. I feel very strongly that we

must be more positive in our attempts to equitably "count in" farmers in all our efforts at economic aid.

2. In regard to technical-assistance programs, every project for technical assistance (point 4) should include as a basic criterion a thorough consideration of the land reform aspects involved in the subject matter of the project. That is to say, if our technical-assistance projects are to be most effective, they must be based upon a contribution toward improvement of agricultural economic institutions of a nature that will allow the benefits of technical aid to become a permanent acquisition of the man who toils on the land. Every possible effort should be made in helping people on the land in developing methods and skills in self-help, an understanding of the responsibilities of private property and of democratic procedures.

3. The United States Government, through its diplomatic and other representatives abroad, importantly including our delegation to the United Nations, should take every possible opportunity to openly avow its firm belief in land reform as I have defined it, as an international standard applying throughout the world, and, if possible, within limits of diplomatic relations lend active assistance and encouragement to land-reform movements, groups and people within individual countries. The moral and political influence of the United States should be thrown behind indigenous movements toward land reform, particularly in the underdeveloped nations of the world when these are in accord with the criteria outlined above. Pseudo programs inspired by the Communists must be exposed in contrast to genuine programs based on democratic action and private-property institutions.

In summary, I strongly recommend that attention to land reform should be made an integral part of every phase of the planning, administration and operation of all our foreign-assistance programs. Land reform, in the sense that I have defined it in this letter, is not something which is separate and apart from land and industry development projects, irrigation, land reclamation, drainage. It is not something apart from education, vocational training, and extension. Land reform, in my meaning, is in effect the democratic way of life and has an intimate bearing on all types of economic and social activities. Land reform is something which must be included as a part of each different assistance project and not conceived as a separate and distinct project.

Finally, I wish to emphasize that I am proposing a program of action. I am not discussing theory. It takes several years to get a program such as I have proposed off the drawing boards; more time is required to assemble and train the staff required to execute the program. Consequently land reform proposals that do not in specific instances take definite form in tangible plans and programs in the immediate future cannot be regarded as likely to be placed in effect in the foreseeable future and therefore cannot qualify as meeting the requirements indicated above. We should not support empty talk, no matter how well phrased.

I appreciate the opportunity to comment on this very important matter, which is quite close to the hearts and minds of the family farmers of America. I hope that sufficient attention will be given to this important matter to develop a hard-hitting democratic policy which will be a beacon of hope to the landless, poverty-ridden peoples in the underprivileged areas of the world and instill in them a renewed faith in democracy and its great homeland: the United States of America.

Sincerely,

JAMES G. PATTON,
President, National Farmers Union.

(Attachment C)

RESOLUTION NO. 20 ADOPTED BY THE PLENARY SESSION OF THE FIFTH ANNUAL GENERAL MEETING OF THE INTERNATIONAL FEDERATION OF AGRICULTURAL PRODUCERS

20. Recognising with satisfaction the agricultural progress made in various free countries as a result of the reforms introduced in systems of land tenure and other democratic agrarian reforms which give to farm people the benefit of their production in a free and expanding system; and having been informed of the attention now being given to this highly important matter by the UN and the FAO, the IFAP pledges its support of the development, adoption, and imple-

mentation by nations of equitable systems of land ownership and land tenure, farm taxation, and agricultural credit. The organized agricultural producers of the world recognise that bad tenure relationships are a severe limitation on efficient and abundant production. IFAP also recognises the importance of better tenure arrangements in giving hope and incentive to workers on the land. Accordingly, the IFPA will urge FAO to give high priority to requests of member governments for technical assistance on tenure improvement and other agrarian reform programs. IFAP will also urge the United Nations to continue to maintain in its work a broad rather than narrow concept of agrarian and land reforms—the broadened concept to include free farm organizations, farmer-owned and farmer-controlled cooperatives, equitable farm credit and taxation as well as land ownership and landlord-tenant relationships.

(Attachment D)

BEYOND TODAY'S HORIZON

Summary of remarks in opening statement of Under Secretary of Agriculture Clarence J. McCormick, United States Member of the Council of FAO, prepared for delivery at the Twelfth FAO Council Session in Rome, Italy, June 11, 1961.

On behalf of the United States, I want to commend the FAO for its success in getting this Council session under way so capably despite the natural upset conditions occasioned by the recent move. I am certainly glad to see that the FAO is already so well settled here in Rome.

I am even further pleased to be able to report to you that the interest of the United States—its Government and its citizens—in the FAO is just as strong as ever.

Our faith has not wavered in the ideals and principles upon which FAO was established. Our determination is undiminished that FAO shall be vigorously supported by our Government in translating those ideals and principles into constructive accomplishments in the international realms of food and agriculture.

My country feels that the working party on long-term trends has done an excellent job, establishing a solid foundation for the future of this organization.

It is indeed heartening, in these times of world tension, to see this organization planning so soundly for the future.

I am sure most of us agree that the world's best hope for that future is just such cooperation, mutual understanding, and teamwork in tackling common problems that the FAO exemplifies in the particular field of food and agriculture.

We feel that way in the United States—not just our Government, but the American people.

We're looking beyond the immediate horizon; we're looking toward a better world ahead, and we are looking to the FAO to share in the responsibility of creating that better world.

We believe we are on the right road, and that we are already advancing along that road.

Global tensions of the past year may have partly obscured the fact that most freedom-loving nations have made substantial progress in facing up to important world agricultural problems through friendly cooperation.

We welcome this still growing spirit of international cooperation in agriculture.

In my country, from a standpoint of long-range significance, we regard the increasing international collaboration in agriculture as one of the most important trends of the past year.

We believe we have ample reason for feeling that constructive progress is being made.

In addition to the regular work of FAO, the point 4 program of technical assistance has been placed in operation, the International Wheat Agreement is concluding its second year of successful operation, Western European nations with the help of the Economic Cooperation Administration have laid increasing emphasis upon stepping up agricultural production, and increasing emphasis is being placed upon the role that land tenure reforms can play in alleviating unrest in many parts of the world.

All in all, the aspirations of rural people everywhere are making themselves felt in the highest councils of government.

Our progress adds encouragement to the hope that the basic resources of food and fiber may yet prove a common denominator in guiding mankind closer to its real goal of a world living and working together in harmony and peace.

Make no mistake about our attitude.

We are acutely aware of the grave problems confronting all freedom-loving countries as a result of continuing threats to international peace and security—threats occasioned by selfish forces of aggression, not yet fully restrained by the world's family of nations.

We recognize that such aggression is a dangerous obstacle that must be overcome before we can achieve the better world of peace and progress that I am sure is the true aspiration of all rural people on the globe.

We are fully determined that such obstacles shall be overcome—that eventually they shall no longer stand in the way of the constructive long-range goals most of us seek to achieve, both as individual nations and through friendly collaboration in this and other international forums.

We are determined that the progress already being made, through this body and elsewhere, toward creating international economic and political stability shall not be thwarted by any willful power unwilling to abide peacefully within the world family of nations.

Yet to make sure that doesn't happen may require some reorientation and shifting of our sights.

To protect the progress already made, and to preserve the opportunity for further progress in the future, necessity now calls for diverting much of our attention, our energy, and our resources to the more immediate task of strengthening ourselves and other friends of freedom, both militarily and economically, to the point where the world's balance of might will be overwhelmingly on the side of right. Only then, apparently, can human justice and freedom survive and expand unperiled by the ruthlessness of Communist aggression and ideology.

In other words, defense of the progress free peoples of the world have already made, must for now take precedence over the future progress we aim to achieve. There can be no hope for the far-away tomorrow, if it is snuffed out in the tomorrows close at hand.

The necessity for such a course has not been of our own choosing, but the decision to meet it head-on has.

As much as we deplore turning so much of our resources and energies from a positive course of human betterment in the world to the more negative purpose of girding against the threat of armed conflict, we have no other alternative.

For that reason my country proposes channeling much of its foreign-aid programs toward that immediate objective: defense of the free world. The President of the United States has recommended to our Congress the enactment of a new Mutual Security Program, combining military assistance, economic assistance, and technical assistance, so that our strength may be merged with the strength of other freedom-loving peoples in a resolute stand against further inroads of aggression anywhere in the world.

We are doing what must be done to protect security and stability in the world today, but we are doing it without taking our eyes off the future.

We want FAO to continue looking beyond today's horizon.

Regardless of emergency problems requiring the immediate attention of most of us as individual nations, we also need to keep thinking beyond the crisis of our time.

FAO's long-range planning can help all of us meet that need.

This organization can and should be the means of contributing to preparations for the brighter future that we as individual nations seek to make possible by strengthening our defenses now.

The fact that our approach to such defenses is toward mutual security and a sharing of strength, and the fact that economic assistance and technical assistance are counted upon as well as military assistance in assuring that security, is evidence that we, too, are still looking beyond today's horizon, and that our objective is still world betterment and world progress through international cooperation.

The Mutual Security Program is actually a continuation and intensification of policies and programs which we believe have contributed constructively to world betterment in the postwar years. Among these are the Greek-Turkish aid program; the Economic-Recovery Program in Europe; the technical-assistance program in Latin America; and the entire philosophy and objectives of the point 4 program that have met with such enthusiastic acceptance throughout the world.

We are not turning back. Rather, we are going ahead—by making sure we can and do defend what has already been achieved. The proposed Mutual Security Program is to be applied as an insurance that progress already made by many countries will not be reduced or halted by the march of aggressive communism.

I am mentioning our Mutual Security Program at this time because I believe it is pertinent to what this body is endeavoring to do, and because I do not want any misunderstanding about my country's wholehearted support of the long-range planning we have always favored in FAO regardless of the immediate problems that must be faced in the world today.

I am mentioning it also because agriculture has such a vital stake in mutual security of freedom-loving nations, and because agriculture has such a vast contribution to make toward that mutual security.

Our agenda reflects many of those contributions.

I believe one of the foremost can come in the field of land tenure which we are to consider. Land reform in its broadest interpretation deeply affects security in the world today, and is definitely among the problems we must face up to in looking ahead to the future.

In most countries, including our own, economic progress and political stability are closely related to the prevailing system of agricultural economic institutions. In many areas present unsatisfactory institutional arrangements are a source of persistent discontent and unrest. This has been recognized in United States domestic policy, and more recently emphasized in our foreign policy as illustrated by far-reaching land reform in Japan and support of land-reform measures in Formosa and South Korea.

We in the United States regard land reform in the broad terms of improvement of all economic and social institutions surrounding farm life. We believe it must be concerned with improvement in opportunity of agricultural land ownership and security of tenure, with problems of land rents, with taxation of agricultural land or income from land, with agricultural credit and producer marketing. In our broad definition of land reform agricultural technology, physical problems of land utilization and development, conservation of resources, methods and levels of productivity, and problems of rural industries are also included insofar as they are relevant to the institutional problems I have enumerated.

We favor efforts to improve such agricultural economic institutions wherever possible, in order to lessen the causes of agrarian unrest and political instability, and as a key to increasing rural standards of living. We believe that objective can best be sought by improving the position of the farmer on the land to the end that he may have greater security of tenure, and incentive to increase production and conserve resources (including the utilization of technological advances suitable to each economy), and an equitable share of the output from that land.

We recognize, of course, that specific land-reform measures will have to be evaluated in relationship to the conditions peculiar to each region and country, and that the individual cultural patterns of many countries may have differing constructive contributions to offer toward the same basic objective.

In support of this policy, which we as a nation have affirmed, the United States Government intends, giving encouragement and assistance to land reform when and wherever it will substantially contribute to promoting the objectives I have enumerated.

We shall do so in both planning and administration of our foreign economic and technical-assistance program, and we will also lend other practical assistance to desirable land reforms in addition to the economic and technical-assistance programs. We shall also actively encourage and assist in carrying forward land reforms in non-self-governing territories under United States administration, and, upon request, will work with other governments in connection with desirable land reform in such territories under their administration. Furthermore, we shall take every opportunity to support and encourage desirable land-reform programs through all appropriate international agencies.

Because of our interest in this broad field of agricultural betterment, I am looking forward to its discussion under the agenda item on land tenure. We feel that FAO's emphasis should be on assistance to governments requesting it in land reform, not just on study. Our advisory group of nongovernmental organizations in the United States strongly supports that approach.

I am looking forward with equal interest to discussions on the rest of our agenda, particularly on technical assistance. FAO deserves commendation for

the excellent progress it has made, and the readiness it has shown to coordinate its work with the United States program and the British Commonwealth's program.

We feel that FAO will want to examine the direction of its commodity work in this period of shortages.

In conclusion, I want to assure you again that the United States stands solidly behind FAO. In our country, nongovernmental organizations have participated actively in framing of our long-term recommendations, and they have all voiced strong support for the future of this organization.

To live up to that support, I believe FAO's challenge in these troubled times is to keep its eyes beyond today's horizon.

Attachment E

RESOLUTION I (Aid to Rural Families as the Basis of Democracy)—PRESENTED BY THE DELEGATION OF THE UNITED STATES OF AMERICA, FOURTH INTER-AMERICAN CONFERENCE ON AGRICULTURE, MONTEVIDEO, DECEMBER 6, 1950

Whereas:

The American Republics, individually and collectively, have pledged themselves to the preservation and perfecting of democracy as a way of life, as a principle of government, and as the supreme hope for world peace;

Democracy is, among other things, a system of farm-land tenure in which the cultivator of the land has the opportunity to own the land and to attain economic and social opportunities equal to those enjoyed by the other members of the whole society;

Families who own the land, or have leased it on equitable terms that give them reasonable profit for their work and other productive investments, have the strongest motives for adopting efficient agricultural practices; and

Recognition by governments of the interest and aspirations of rural families for a satisfactory way of life, including the inviolability of individual dignity, will strengthen the traditional inter-American system of individual freedom, and will be a strong bulwark against the regressive and reactionary force known as communism;

The Fourth Inter-American Conference on Agriculture resolves:

1. To recommend that each American Republic review its policies and programs so as to determine whether rural families have at their disposal services and facilities, including the services of research and education, credit, aid in the marketing of their output, economic information, and assurances of reasonable prices for their products, which are necessary to and consequent upon the growth of democracy.

2. That each of these governments direct its agricultural policy toward achieving welfare of the rural families.

3. That international organizations develop, encourage, and help the execution of these policies and programs in cooperation with each and every nation and to the greatest extent desired by these nations.

Mr. BAKER. I should like at this time to read you a brief summary of Mr. Patton's statement.

The Farmers Union appreciates this opportunity to present its view on the Mutual Security Program being considered by your committee. We want to commend the committee for the painstaking way in which you are operating.

The Farmers Union favors, for the long pull, a world brotherhood of prosperous democratic nations living at peace with one another. We recommend this ideal to you as the proper guide in the formulation of the foreign policy of this Nation. We want peace, prosperity, and democracy not only for ourselves but for everyone else in the world. The Farmers Union supports the general purposes of the mutual security program.

The current situation confronts the people outside the iron curtain with the necessity of building and maintaining a defense against

aggression while at the same time it is building the economic and political strength and understanding necessary to extend democracy, improve living standards, and establish an international brotherhood.

You have before you the committee print of basic data supplied by the executive branch. We have studied this material carefully. Without going into detail I should like to say that it largely substantiates our own observations in some of these countries, coupled with information we have acquired in discussion with other members of the International Federation of Agricultural Producers. The descriptions of The Problem appearing in each regional section of the committee print are, as far as we can determine, accurate if not entirely complete, appraisals of what the problems are in the countries of each region.

The committee print does not put nearly enough emphasis upon the need for land reform and for faster strides toward greater democracy in government in many countries.

Land development, economic investments, and economic aid alone will not strengthen the free world sufficiently in the absence of educational, cultural, and institutional changes required to see to it that a basic understanding of democratic processes and the benefits of economic progress and national defense are widely distributed among all the people.

BACKGROUND OF UNITED STATES DECISION

The family farmers of this country are not unfamiliar with the necessity of making decisions of the kind which face your committee and the Nation at this time.

It has been common throughout our history for young farmers, and those who were not so young, to improve their barns before they improve the house the family lives in. And when you stop to think of it, this is not such a dumb decision after all. With a better barn there is a possibility of lower costs and a higher income leaving a greater net from which to cover the cost of improving the home.

In international affairs, likewise, we must decide whether to invest in those things that will protect us against aggression and build toward peace, prosperity, and the preservation and extension of democracy at the temporary expense of the higher standard of living that might have been possible if the same effort had been put in purely peacetime pursuits.

In the western part of our country wolves are a threat to our livestock. As you know, our farmers and ranchers have not sat idly by and tried to accommodate themselves to the prospective of expanding numbers of this predatory beast.

They have taken guns in their hands with a view to protection. And through Government they have provided economic assistance and economic incentives, in the form of bounties, to those who are willing to join their campaign against wolves.

Basically, the decision how big a program to authorize comes down to how much taxes we are willing to pay to support foreign assistance. In checking through our own calculations we have concluded that the President's recommendation of \$3.5 billion is moderate.

It is our recommendation that the outcome of cease-fire talks in Korea not be allowed to affect the total amount of appropriations to

be authorized for foreign assistance. We must not allow our hopes for a Korean cease fire to lull us into a feeling of false security. With or without a cessation of armed hostilities in Korea, we recommend that the United States make an annual investment of at least \$8.5 billion in building the integrated economic and military strength of the free world.

ALLOCATION OF FUND TO SPECIFIC PURPOSES

While we do not think the total over-all authorization should be reduced even if we are able to work out a genuine cease fire in Korea, we do recommend that the allocation of the funds among the different forms of foreign assistance should be shifted if we get a genuine cease fire, from finished manufactured goods—consumers goods and military end products to productive goods—machine tools, assistance in building factories, developing new sources of power and raw materials, and provision of technical assistance.

I am sure that you will insist that as much as possible of the projected aid be in the form of assistance to the other nations to build expanded-plant capacity and to do their own production with their own manpower and natural resources. This is the best means by which we can help the free peoples to help themselves. We recognize, of course, that considerable amounts of foreign assistance must be in the form of finished goods to meet deadlines of military and strategic expediencies that cannot await further economic development in areas where needed, but we hope that this can be kept to a minimum.

For this reason the restrictions imposed by section 104 of the Mutual Defense Assistance Act should be eliminated in whatever legislation this committee recommends and the Congress enacts.

With the elimination of the restrictions contained in section 104, probably as much as \$1 billion could be shifted from the \$6.3 billions for military end-products to other forms of assistance without damage to the military-defense programs of the nations to be aided.

Mr. VORYS. What is section 104?

Mr. BAKER. I believe I can find it here in this committee print.

Mr. VORYS. You mean, of the draft bill?

Mr. BAKER. No, sir. It is in the one now.

Mr. CARNAHAN (presiding). That is in the present law?

Mr. BAKER. Yes. It is in the present law. Over on page 57. None of these are numbered. It is this particular one.

Mr. HERTER. Is that the basic data?

Mr. BAKER. Yes, sir. "Basic data supplied by the executive branch."

Here is the explanation of 104.

Mr. CARNAHAN (presiding). Let us see if the clerk can get us copies of it.

Mr. HERTER. I wonder if we could have that read so we would all know what we are talking about.

Mr. CARNAHAN (presiding). We can do that if Mr. Baker cares to read it.

Mr. BAKER. Would you like me to read it for the record?

Mr. VORYS. Yes.

Mr. BAKER. It is page 57 of the committee print, entitled, "The Mutual Security Program for Fiscal Year 1952, Basic Data Supplied by

the Executive Branch." It begins in the second sentence of the third main paragraph.

Mrs. BOLTON. Beginning with "Section 104 of the MDAA"?

Mr. BAKER. Yes, ma'am. It reads as follows:

Section 104 of the MDAA imposes limitations on the use of MDAA funds by forbidding their use (a) to construct or aid in the construction of foreign factories or to provide equipment (other than production equipment) for them; (b) to defray the cost of maintaining such factories; (c) to compensate any country or person for diminution in export trade resulting from the carrying out of any program of increased military production or to make any payment to the owner of any factory as an inducement to undertake or increase the production of military goods; (d) to pay any person for personal services rendered in any such factory other than personal services of a technical nature provided by United States employees in order to establish or maintain production to effectuate the purposes of the act and in conformity with desired standards and specifications.

Our point is, it seems a little queer or peculiar for us to use up our resources and to use the scarce time of our scarce manpower in this country to produce ammunition, for example, which people in Europe have known how to make for a long time and have the resources and skilled manpower so they can make it.

Another item of that kind is mine sweepers. There are factories in various countries of Europe that can make acceptable mine sweepers. In terms of dollars, in a sense, if we hired them to do it they can make mine sweepers cheaper than we can on the same specifications.

With or without the cessation of armed hostilities in Korea, we feel it is a billion dollars. We do not know whether it is \$800,000,000, or \$1,000,000,000, or more than \$1,000,000,000 that could be shifted if that restriction were eliminated. We would not take that off the total, but would add it to the economic assistance. We would feel it would go half again as far, maybe.

If this is true, and assuming no Korean cease-fire, this shift would result in \$3.2 billion for nonmilitary assistance and \$5.3 billion for military end-products.

In case of a genuine cease-fire in Korea, we recommend that a further increase of one billion dollars be made in the nonmilitary assistance with a corresponding reduction in the funds provided for the granting of military end products. Acceptance of this recommendation would provide, in the case of a genuine cease-fire in Korea, that \$4.2 billion should be allocated to assistance in forms other than military end products and \$4.3 billion allocated to military end products for shipment abroad.

FORMS OF ASSISTANCE

We want to recommend that in whatever legislation is written to authorize the Mutual Security Program, the different forms of foreign assistance should be set off in separate titles, one title for each of the following forms of assistance:

- (a) Relief and rehabilitation.
- (b) Military end products.
- (c) Foreign economic development—

1. Through private loans and investments by United States firms and persons;

2. Through loans by the United States Government and its instrumentalities and through international credit agencies;

3. Through grants from the United States;

(d) Technical assistance.

Any foreign procurement programs should be coordinated with economic-assistance programs.

We have not made a recommended regional allocation of the funds. This is deliberate. We do not agree with the basic concept underlying the lumping of all the functions together regionally. In carrying out these programs we will not be dealing primarily with formally organized regional groupings of governments. Almost all of our direct dealings will be with international organizations and with individual sovereign nations.

We recommend that the major division of the legislation into titles as well as the organization structure of the Overseas Economic Administration be along functional rather than regional lines.

TECHNICAL ASSISTANCE

We recommend that the following amounts be made available for technical assistance:

In case of no cease fire in Korea, \$164,000,000; in case of a genuine cease fire, \$250,000,000.

These recommended funds would be available for all the types of technical-assistance and technical-collaboration programs that are currently being conducted by the Office of Foreign Agricultural Relations in the Department of Agriculture and by the Institute of Inter-American Affairs, the Technical Cooperation Administration of the State Department, and by the Economic Cooperation Administration.

We recognize that there has been some controversy among those who believe strongly in one or another of these forms of technical assistance. Each group of partisans seems to favor his own approach to the exclusion of all the others. Our attitude is that there is a place for the "Servicio" type of technical assistance performed by the Institute of Inter-American Affairs, along with each of the other types, but we do not believe that our entire national effort should be applied through any one device alone. There are several effective approaches. Our Government should make full use of all of them.

We also recommend in addition to the scientific and professional type of personnel that these programs are currently sending overseas, that the technical assistance personnel be augmented by working United States farmers; actual shop, factory, and foundry workers; by typical United States citizens from all walks of life. These ordinary citizens would join into farm and village life in the other nations to pass on the magnificent skills that have made United States farmers and workmen the most efficient per man-hour of any people in the world.

We should greatly increase the number of just ordinary citizens of foreign nations who are provided with on-the-job training in the United States, and we should encourage them to stay here long enough really to acquire advanced skills and technical know-how. I doubt if our money is being well spent when we bring a foreigner over here and he stays only a month or 6 weeks.

FOREIGN ECONOMIC DEVELOPMENT

Grants

We are recommending an authorization and appropriation for grants-in-aid of foreign economic development of nearly \$3¾ billion in case of a genuine cease fire. If there is no cease fire we recommend a total of \$2.87 billion.

Our own internal improvements, the canals and waterways, the land grants to railroads, the multipurpose dams, and the rest were very important contributions to the economic progress of our own Nation as it pursued its manifest destiny. Similar good results can be expected in other nations from United States financed and encouraged economic development.

The Congress should require that United States funds advanced for economic development be matched by local funds and/or economic goods or services in a ratio to be determined for each country by the President. Regulations and restrictions relating to these matching funds should be the same as those described to you by Mr. Porter of the EOA for the so-called counterpart funds. These counterpart funds should be used as a means of integrating the entire Mutual Security Program with the total resources of the free world and not just the resources of the United States.

Part of such counterpart funds in Western Europe should be made available for the establishment of a West European agricultural commodity stabilization fund similar to the Commodity Credit Corporation in the United States.

In no case should the entire cost of an economic development project be taken from the grant funds I have just recommended. As a matter of fact, we would hope that the bulk of the costs involved in these projects could be financed with local private and governmental funds in conjunction with long-term loans obtained from an international development revolving fund of the World Bank and from loans advanced by the United States Export-Import Bank.

Loans

We recommend that this section of the proposed legislation authorize the use of \$1,800,000,000 in case of a cease fire, or \$1,400,000,000 in case there is no cease fire, to establish revolving funds from which loans can be made for foreign economic development projects of the type described above. We suggest that in addition at least \$800 million in case of a cease fire or \$400 million otherwise, be earmarked for the United States contribution to an international economic development fund to be administered by the World Bank, provided that other nations will put up in total a somewhat larger amount.

ENCOURAGEMENT OF PRIVATE FOREIGN INVESTMENT BY UNITED STATES CITIZENS

Federal guaranty of private loans and investments is an accustomed and accepted method of encouraging private investment to enter domestic fields important to the public interest where the risk is high. We should apply this principle with respect to foreign investment by United States private capital.

We need to move as rapidly as we can to negotiate whatever treaties are required to aid nations in developing an environment in which private foreign investment has a chance for success.

We recommend that you incorporate in this Mutual Security Act relief from double taxation of income produced in other countries by United States companies.

In addition, we recommend that you set aside a contingency fund of approximately \$100,000,000 in case the Korean fighting continues, or of \$200,000,000 if the hostilities are brought to a genuine close, to serve as a fund from which losses incurred from foreign loans and investments, through no fault of the private company, may be reimbursed. Provided, however, that sufficient safeguards should be included in the legislative authorization to insure that the program will in no way guarantee profits or monopolistic control by United States companies.

RELIEF AND REHABILITATION

We recommend that the United States should make its full contribution of \$162.5 million to the United Nations to finance the work of the United Nations Korean Reconstruction Agency. The total amount would be too small, even if it were larger, to do more than partially restore the war-torn people of Korea and their economy. No expenditure, no matter how large, would make up for the heart-rending suffering of that courageous and war-torn people. This amount would represent the \$50 million already appropriated plus the \$112.5 million that has been requested by the executive branch.

We also recommend that the United States make its full contribution of \$50 million to the United Nations for reintegrating the Arab refugees in the Near East.

We cannot foresee at this time what new developments may occur in other countries outside the iron curtain that may require the type of assistance I have recommended for Korea and the Arab refugees. So that we may be able to move into operation with any needed relief program when needed, I recommend that a foreign relief contingency fund of \$50 million be established as one of the provisions of the Mutual Security Act.

ADMINISTRATION THROUGH INTERNATIONAL AGENCIES

The agencies administering these programs should be required by the law to operate as much as possible of the authorized programs through the United Nations and its specialized agencies, such as the Food and Agriculture Organization.

We should push out as much of this foreign economic development work as we can to the UN and to its specialized agencies. We should encourage these international agencies to take on these additional duties just as rapidly as they can efficiently and effectively. Doing so will relieve our efforts of any stigma of imperialism.

ADMINISTRATION

The Farmers Union concurs with the recommendations of many other groups that the administration of all forms of economic assistance authorized by the proposed Mutual Security Act should be placed in a single unified agency outside any presently existing department or agency of Government. The new agency should absorb the personnel and functions of the Economic Cooperation Adminis-

tration and of the Institute of Inter-American Affairs, the Technical Cooperation Administration and several other units in the State Department. Actual administration of the military end products should be in the Department of Defense, subject to general policy established by the National Security Board and the President. This new agency should be built upon the existing structure of the organizations named but would be so reorganized that it will become an entirely new agency. This Overseas Economic Administration should be given authority to make limited shifts of funds between the different forms of assistance.

Another principle of administration that should be required by the authorizing legislation is that the new agency shall make full and complete use through contracts and reimbursable working agreements, of the personnel and facilities of existing governmental departments and agencies rather than attempting to build, by transfers or outright hiring, entirely new and complete functional services within its own structure.

Provision should be made in the legislation for the appointment of a public advisory committee on foreign economic affairs and an interagency board made up of an official from each of the major Federal departments and agencies concerned with economic problems of foreign relations.

There is a summary table on page 9 of Mr. Patton's statement that summarizes our recommended allocation of funds to different forms of foreign assistance. You will notice two columns of figures, one based on no cease fire in Korea, and the other based upon a genuine cease fire.

This is my first appearance before your committee, and I want to thank you for your consideration and the nice treatment I have had. I am sorry that my performance has not been up to the usual polished performance that you should expect. I am just a country boy trying to tell you what we think about this thing.

Our heart is with you in the painstaking way you are going at it.

Thank you very much.

Mr. CARNAHAN (presiding). Mr. Baker, we certainly thank you for your appearance. We appreciate the definiteness that you have in your statement. We regret very much that Mr. Patton could not be here.

I am not going to go the rounds, but if anybody has any questions, we will have those questions now, and I will hold you to the 5-minute rule.

Are there any questions?

Mrs. BOLTON. I have a question.

Mr. CARNAHAN (presiding). Mrs. Bolton, you are recognized for 5 minutes.

Mrs. BOLTON. Mr. Baker, I take exception to your statement that you have not done so well, because we have had very few statements that have been as clear and so well presented.

Mr. BAKER. Thank you.

Mrs. BOLTON. It is very good to have these pointed and very definite statements of what you think so that we can sit down and really study your point of view, because there is a great deal to be studied in this very challenging statement.

You spoke before of what would happen if there is a cease fire. Does that mean that you feel that if there is a genuine cease fire in Korea the problem of the Kremlin and the Communist goal is any less?

Mr. BAKER. Indeed not. No, ma'am. We feel that assuming that we get an honorable, honest, and genuine cease fire in Korea, that that may mean—it may mean, not that it does mean, but it may mean—that the Kremlin may have decided to go through a period of trying to relax us and soften us up.

If that is true, it might give us a few extra months, or maybe a few extra years, in which we can do some of the fundamental things to build greater basic economic strength and political understanding which would give us a broader base from which to build up in case they decided to heat the cold war up some more.

Mrs. BOLTON. But you would not want us to go so far back—

Mr. BAKER. Absolutely not.

Mrs. BOLTON (continuing). That we should not be able to jump again?

Mr. BAKER. No, indeed. We have seen no signs that have come to our attention that would indicate that they have changed their minds a bit. They have just changed their tack.

Mrs. BOLTON. That is, their tactics, and their strategy, their studied procedure.

Mr. BAKER. That is right. I might add there, if it does not take up too much of your time, that in looking at this Kremlin threat and putting it in actual terms that all of us can understand, as Mr. Patton did in his statement, although I did not include it in my statement, actually if we do not stop them, what they are up to is taking over the geographic territory of the United States and turning our farms and factories over to carrying out the wishes of their war machine, and putting our people in slave-labor camps, like they have their own.

Mrs. BOLTON. Complete control of the world.

Mr. BAKER. That is right.

Mrs. BOLTON. To go back to this section 104 business, in our proposal in title I on page 51, you see in subparagraph (b) there that our proposal is to use the ECA for military production. Does that not agree with your thinking, or do you have in mind we could do more?

Mr. BAKER. That is in line with our thinking, but it does not apply to the big parts of the dollars that are in this bill.

Mrs. BOLTON. I see. I would have to study that.

Mr. BAKER. It applies to the \$1.7 billion in here, but it does not apply to the \$5.3.

Mrs. BOLTON. Why not?

Mr. BAKER. Because the 5.3 go over there in military end products. They are already manufactured shells and machine guns.

Mrs. BOLTON. I know we have had considerable testimony here on just the basis you spoke of, of having them make as much as possible in their own factories.

Mr. BAKER. I think it is awfully important.

Mrs. BOLTON. You spoke of the mine sweepers. We have also had that presented to us, and several of my own questions to some of the witnesses when we were meeting over in the big room, were to the effect that perhaps the Army would have to change its attitude a little of trying to have everything finished here and sent over there

perfect, because it was so important to have the factories there moving.

Mr. BAKER. We agree with that point of view.

Mrs. BOLTON. We are very much in sympathy with that point of view.

Mr. CARNAHAN (presiding). Are there any other questions?

Mr. JAVITS. I am just reading the gentleman's statement, and it seems to me you are in rather substantial accord with the International Development Advisory Board headed by Nelson Rockefeller.

Mr. BAKER. Not in all particulars.

Mr. JAVITS. Of course, I assume that, but I said in substantial agreement.

Mr. BAKER. Well, I do not know exactly what the words are. We are in some particulars. Yes, sir. In others we are not, particularly on the regional authority breakdown sort of thing. We think that the initial breakdown and the important breakdown is by function. In other words, agriculture, health, and so on, rather than have an Assistant Administrator for Latin America, and another somewhere else.

Mr. JAVITS. I do not think they go into it that strongly.

What I was thinking about in making your statement was your advocacy, which is the first time I have seen it by any witness except Mr. Rockefeller, of backing up this international economic development fund.

Mr. BAKER. We think of that as an extension of the same way we built our own Nation.

Mr. JAVITS. In other words, you feel strongly—and would you like us to take your recommendation—that in this bill, in view of the fact that it is a new program, we should provide funds for capital investment in underdeveloped areas? Not just technical aid, that is, but capital investment?

Mr. BAKER. That is correct.

Mr. JAVITS. And you think the best way to do that is through loans made through an affiliate of the International Bank?

Mr. BAKER. Only partially. Actually, we are recommending a larger allocation of funds to the United States Export-Import Bank.

Mr. JAVITS. Do you feel the Export-Import Bank then ought to change in this regard and make capital investment loans instead of commodity or material loans?

Mr. BAKER. Both.

Mr. JAVITS. But you understand that would be a different role than it has played before?

Mr. BAKER. That is true. In addition, we would like the incentives and the assurances that would assist private investors in the United States, we would hope, to carry out as much of those as possible.

Mr. JAVITS. I might say it interests me to see an organization like your own recommending relief from double taxation in order to get private capital invested abroad. I think that is a very good thing, and I am glad to see it.

Mr. BAKER. We are interested in particularly the underdeveloped areas, but in all the rest of the countries there should be building of plant capacity, expanding resources, exploration, developing and building their fundamental economies.

Mr. JAVITS. You have great faith in American business to do that job!

Mr. BAKER. That is right. Or, if some of the limitations are taken out of it.

Mr. JAVITS. That is right. Thank you very much.

Mr. CARNAHAN (presiding). Are there any other questions? Mr. Fulton.

Mr. FULTON. On the form of guaranty spoken of, do you not think it would be wise to go further and have a guaranty against loss of the investor's capital through the change in rates of foreign exchange?

Mr. BAKER. We have said "through no fault of their own," which would cover that, and changes in governments, and confiscations, if that should happen, and so on.

Mr. FULTON. One of the problems, and I believe one of the reasons why the present guaranty provision is not used more by businessmen, is that each foreign government, through its own fiat and its own separate action, can by change of the currency value immediately wipe out a person's savings.

Mr. BAKER. We would hope that part of that would be taken care of in these treaties we recommend. In other words, that an assurance against that sort of thing would be incorporated in the treaty that could be worked out and negotiated.

Mr. FULTON. How would you go about implementing your recommendations for land reform abroad? Do you have any particular program that would be generic, or would you approach each country separately?

Mr. BAKER. It would have to be done in each country separately.

I spent about a year in South Korea in the South Korean land reform and I could tell you what we did there. The land reform that was accomplished under General MacArthur's direction in Japan was a little bit different. The one they are doing now in Formosa is yet different from either of those two; and the one that ECA is sponsoring now in Italy is still yet different from the others.

Mrs. BOLTON. Would it not have to be?

Mr. BAKER. There is no other way that it can be that I know of.

Mr. FULTON. So you have no set program then as to the implementation of the land reform, but you do reach a result in each country?

Mr. BAKER. We feel that attention to the land-reform aspect of any economic development program should be thoroughly considered for each technical assistance project and each economic development project as it is developed, as it comes up for approval, and as it is actually operated.

Mr. FULTON. In conclusion, do you then believe in countries which have repressions of civil rights and bad economic land tenure rules, that either through treaties or through bilateral agreements, or through the implementation of this program that we should begin to bring them over to the democratic ideas, and also to influence and reform those systems?

Mr. BAKER. I might say that our definition or concept of land reform is a very broad one, including equitable farm taxation, free farm organization, farmer owned and controlled cooperatives, as well as what is usually considered just strictly land tenure.

The answer within that context is that we feel that through the three means you mentioned an awful lot, or very much good can be done in the way of proving that democracy will work for the people,

and that that is the soundest and solidest long-term measure if the invading army is not next door to the glittering promises and lures of this Communist ideology.

Mr. CARNAHAN (presiding). The time of the gentleman has expired.

Are there further questions?

Mr. FULTON. May I just finish and conclude that?

Mr. CARNAHAN (presiding). You have used your 5 minutes.

Are there any other questions?

(No response.)

Mr. CARNAHAN. (presiding). If not, we will go ahead to the next witness.

Mr. FULTON. Could I just sum up what I meant, please, Mr. Chairman?

Mr. CARNAHAN (presiding). All right. You may have one more minute.

Mr. FULTON. Therefore, in Yugoslavia and in Spain on the other side, the United States then should attempt by means of this program to obtain reforms at this time?

Mr. BAKER. Yes, sir.

Mr. FULTON. Thank you.

Mr. BAKER. We should also, if I may add to that, be looking for every avenue possible to extend democracy beyond where the iron curtain is now located.

Mr. FULTON. Thank you.

Mr. CARNAHAN (presiding). Thank you very much, Mr. Baker.

Our next and last witness for the evening is Mr. Boris Shishkin, of the American Federation of Labor. You have a prepared statement. Did you want to file that?

STATEMENT OF BORIS SHISHKIN, ECONOMIST, AMERICAN FEDERATION OF LABOR

Mr. SHISHKIN. I have a prepared statement which I would like to present to the committee, if I may.

I want first to thank the committee for the opportunity for me to appear here on behalf of the American Federation of Labor. I am very glad to have this opportunity, particularly since in the last 3 years the committee was particularly kind to me in giving me a hearing as a representative of the ECA, where I served as the Director of the European Labor Division. This year I appear in a different capacity, representing the American Federation of Labor.

I returned to this country from the overseas assignment a short time ago. In addition to the 3 years of service as the Director of the European Labor Division I was given a special assignment by our special representative in Europe, which included a survey trip over a number of western European countries, just before my return to the United States, for the purpose of reporting on the current developments particularly.

The American Federation of Labor supports the Mutual Security Program outlined in the President's message to Congress of May 24, 1951, and strongly urges authorization of the necessary funds to carry this program into effect without delay.

Both the military and the economic assistance to other free nations contemplated in this program are vital and urgent. The defense of the United States and its national security are intimately bound up with the execution of this program of aid to other nations. Labor, therefore, looks upon this program as being of equal importance with the defense production program and other domestic measures essential for our national defense.

During the last few weeks the Kremlin has drastically changed its propaganda tune. It has suddenly begun to proclaim peaceful neighborliness and amity toward the free nations of the west, including even Great Britain and the United States. This "new look" in Communist propaganda is designed to beguile us and to lull the aroused American giant back to sleep. But the American people know better. They refuse to be beguiled. They realize that the Soviet attack upon the free world is not a threat—it is a grim, ugly, and persistent reality.

This Communist attack is being waged with increasing intensity in many forms and with many weapons. The most dangerous among these weapons are internal subversion, political infiltration, and psychological warfare. These weapons are used to spread disaffection and unrest among the free nations and to bring division in the free nations' ranks. They are used, above all, to win time for the rearmament of the Moscow-controlled Communist bloc.

Time is, therefore, of utmost essence. We are most gratified by the diligence of the Foreign Affairs Committee, which is holding three sessions a day, including night sessions, in order to give this particular program speedy as well as thorough consideration.

Our only wish, Mr. Chairman, is that the rest of this present Congress would give as much attention to the time and urgency of the responsibilities before it at this time.

The Mutual Security Program is one of the foremost responsibilities of this Congress. We ask that it be authorized speedily and in full, in the light of comments and recommendations the American Federation of Labor here submits.

ECONOMIC AID NO LESS IMPORTANT THAN MILITARY

Our program of military preparedness and our military assistance to the free nations standing with us are for defense and defense alone. We need modern military strength to deter the Soviet Communist forces from invading free and peaceful nations. For us, a defense common with the other free nations is the only effective defense.

Labor supports the proposed military assistance to the free nations threatened with Communist aggression. We believe that the rapid development of defensive self-reliance on the part of our associated free nations will prove an effective safeguard against Communist military aggression.

Yet, rearmament is only a part of security. Advancing communism relies on military force, not as the first, but as the last, resort. Frontal attack is the exception and not the rule in the Kremlin tactics. Infiltration from within each free country invariably precedes and prepares the ground for invasion from without.

Once the groundwork is laid through covert infiltration and subversion, overt aggression using force is carried on by proxy, as much as possible. The shooting may be the result of Soviet-inspired in-

ternal strife or it may be launched by a satellite puppet on Moscow's orders.

The greatest pitfall for us would be to fail to recognize the true menace of this technique of vicarious aggression, whereby repeated blows can be delivered to freedom and free institutions without involving a single Soviet military unit. The gravest mistake for us would be to assume that rearmament alone can make us secure and to neglect the paramount need for continuing economic assistance.

The program of economic aid which can effectively deal with the sources of unrest and disaffection in the free countries is by no means secondary to rearmament. In terms of timing and in certain economically weak areas it deserves prior consideration.

POSITIVE POLICY NEEDED

The greatest strength in the American foreign policy since the end of the war has been in the positive leadership and the positive initiative taken by the United States in the building of the free world, embodied in the Marshall plan and the point-4 programs.

We can easily lose both the initiative and the leadership if we trade in the positive character of these programs on a purely defensive model. We have just begun to prove to others that human betterment, high employment, and increasing real income is made possible in an expanding economy such as ours. We have just begun to show how the free people can accomplish this with a minimum of aid and through reliance on their own skills and resources. Our aid to this end offers a promise far more real than any promise of a Communist dictatorship.

Such aid need not be costly. The essential minimum of economic aid plus a substantially developed program of technical assistance can accomplish much at a small cost. It is essential that such aid be continued as an instrument of a positive policy of the United States. Development of productive resources, increased productivity and, above all, sharing by those who work in the increased production and lower costs should spearhead the positive task of our economic aid.

AID SHOULD BE CONDITIONAL

Economic assistance in the future should be based on the agreement by the nations aided to use this aid toward the maintenance of high employment and the increase in the real income of their people.

The Government of the United States has an obligation to make sure that its economic aid will be used for the positive purposes to which America is committed.

All our domestic programs of Federal aid within the United States involving grants and loans require the acceptance by the State and municipalities of standards on the maintenance of which this aid is conditioned. We see no reason why this approach should be abandoned in the foreign-aid program. Advance acceptance by the participating countries of broad positive conditions would place the responsibility on them for specific legislative and administrative actions in order to make sure that the aid is put to positive uses.

Foremost among such conditions should be the agreement on the part of the recipients of our aid to further the improvement of real

income consistent with defense and to provide for highest attainable employment. In many of the nations of the free world direst poverty and widespread privation still prevail. The positive purpose of American aid should be to work such improvements as may be possible to stamp out poverty and increase the real income of the great mass of the people.

In order to carry this positive approach into effect, we recommend that section 102 of the Economic Cooperation Act of 1948 be amended to include the following in the declaration of policy:

It is declared to be the policy of the people of the United States to provide economic assistance to countries pledged to promote, to the extent consistent with their national defense, national and international action designed to attain the following objectives:

1. To assure a large and steadily growing volume of real income and effective demand, and the attainment of the higher standards of living.
2. To increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding economy.
3. To promote full and productive employment.
4. To foster and assist such industrial and general economic development, particularly of those countries which are still in the early stages of industrial development, as will contribute to the achievement of higher living standards, and to encourage the international flow of productive investment toward this end.
5. To enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment, lower living standards, or retard economic progress.

I might add, Mr. Chairman, the language contained in this proposed recommendation, to be included in section 102 of the Economic Cooperation Act of 1948, which undoubtedly will be integrated in any of the proposals for the continuation of the program, is the language to which the policy of the United States is already committed.

In our agreement with the United Kingdom on tariffs and trade as long as 6 or 7 years ago this was the basic position taken by the representative of the United States.

Mr. FULTON. I have just said to Mr. Javits that is familiar language.

Mr. SMITH. So we feel that the United States should not hide its light under a bushel and refrain from stating its purpose affirmatively. We should state that our purpose in all the cooperative effort among the free nations is to attain these positive objectives behind which the American people stand. To fail to state it would be to miss the greatest opportunity we have today to show the people not only within the free countries, but the people behind the iron curtain, that this is the purpose of our entire activity. This is why we are the liberators. We must show that we are not merely doing everything we can in order to provide guns, tanks, and bazookas for military effort, but that we have a positive purpose in mind. In that way I think you can lick the fear of having some Soviet divisions break rank and run across the border. Because only when we are, through every means available to us, able to say to everyone who can understand human language that we are standing today as the leader in the world for a positive purpose of this kind, only then would we be laying the foundation upon which our economic-assistance program must be founded in order to succeed.

SINGLE, INDEPENDENT OVERSEAS ECONOMIC ADMINISTRATION

We strongly recommend the unification of the foreign economic activities of the United States Government in a single independent agency under an Administrator responsible to the President of the United States. We believe that both the economy and the effectiveness of the several foreign economic programs would be greatly enhanced by such an integration of the foreign economic activities of our Government.

Of course, the foreign policy of the United States must be a concerted policy. The responsibility for this policy must rest with the Secretary of State. Within the framework of agreed general policy, economic policy decisions can and should be made by the Foreign Economic Administrator, or the Overseas Economic Administrator, which is the term which has been suggested by some others.

Experience of the Economic Cooperation Administration has demonstrated that unity and harmony in the operations can be maintained while retaining independence of the economic agency in operations and economic policy decisions. Closest coordination among all agencies concerned both at home and abroad is, of course, indispensable to successful operation.

ECONOMIC ASSISTANCE SEPARATE FROM DIRECT MILITARY FUNCTIONS

The functions of economic assistance, mutual economic cooperation, and economic development should be kept distinct and separate from direct military responsibilities involved in the military aid. The effectiveness of the military program, as well as that of the economic program, will be increased if the military decisions relating to organization, deployment, and procurement requirements of the Armed Forces are handled by the Department of Defense for the United States, where they properly belong.

By the same token, the problems of defense production, contract allocation, and civilian manpower should be in civilian hands and handled for the United States by the Overseas Economic Administration.

I would like to add a word on this point which I think is extremely important. There is a real problem that has developed, particularly during recent months, and perhaps since last summer, when Mr. Spofford took over NATO, and the gradual development of two distinct organizations—OEEC and NATO—was taking place. The problem is to develop an area of clear agreement as to where the military decisions stand in relation to economic organization and how independent those decisions are of civilian interference with regard to military matters.

On the other hand are the decisions that should be made by civilians in the context of the NATO concepts as well as the concept of the OEEC in Europe. Experience, with which I have had a good deal to do at first hand, has shown this can be done, and certainly needs to be done.

THE MILITARY PROGRAM FOR EUROPE

The proposed program calls for military assistance for Western Europe for fiscal year 1952 totaling \$5,293,000,000. This amount is

designed to provide almost entirely military equipment and supplies to be produced in the United States. It is to be supplemented by military training and technical assistance aids.

Under the leadership of General Eisenhower remarkable progress has been made in developing within Western Europe a defensive military force-in-being. A notable degree of agreement has been reached in pooling the military resources of the Allied Powers in Europe, as we have seen by the developments in the last 2 days.

Despite extremely weak economies still suffering from the chronic ailments afflicting the economic structure of Western Europe and from the ravages of war and postwar inflation, our Western European allies are doing their full part toward the building of military defense. England and France, for example, are devoting in 1951 as great a share of their national product to military expenditures as we do in the United States. The proposed program is essential to sustain the accelerated pace of defense activities needed to keep Western Europe free.

The North Atlantic Treaty Organization is engaged in the equally important task of developing programs necessary to sustain the defense activities and to coordinate the defense supporting efforts of the NATO countries. The job of organization of defense mobilization and defense production in Western Europe is properly a civilian responsibility and should remain in civilian hands.

We wish to emphasize the need to develop standards and policies whereby the impact of defense mobilization would result in the minimum of disruption in the still precarious economies of Western Europe. It is urgently necessary to press for agreements under which contract allocations and defense production in the free countries of Europe would be based on the criteria of maximum utilization of unused capacity available in Western Europe, the maximum employment of available manpower, and the maintenance of fair labor standards. We ask that the United States representatives in the NATO be directed to press for these obligations.

Let me say this, Mr. Chairman: In the work of the NATO and the Defense Production Board in Europe, we have a real problem. We know from experience now how deeply involved the questions are with which Mr. Wilson's Office of Defense Mobilization is struggling in this country. In Europe, we have the NATO Defense Production Board in which the task is 10, or 20, or 100 times more difficult because of the different standards in different European countries. But no provision is made today that will give assurance to the great mass of the workers in Europe that their interests will be safeguarded, or that the contract allocation will be on the basis that will help their countries; and that we are taking cognizance of their problems and that these standards are being considered.

The second question, which is of extreme importance also, is that in the supporting programs in Europe, in which the actual allocation of funds for European production may now develop, it is vastly important it seems to us to make sure that there is an agreement, an advance agreement, on the part of the European countries that they will be willing to utilize the facilities of a neighboring European country where that excess capacity is available.

In my experience in the discussions in the committees dealing with this problem there has always been a reluctance, which is being grad-

ually overcome with a great deal of difficulty, to provide an agreement for contracts that will be let in Italy, for example, where there is unused capacity. In Italy there are high skills, unemployed skill, available skills, as well as unused capacity for many successful operations as well as the assembly of component parts which may even be produced in the United States.

Yet, with a scarcity of time and skills we are abandoning the Italian unemployed to the fate of joblessness only because at the diplomatic level there is not the drive to make sure that provision is made for them, for the sake of economy and to accomplish the positive purposes we have in mind.

THE EUROPEAN RECOVERY PROGRAM

It is now less than 3 years since the Economic Cooperation Administration became a going concern in Europe. During this short time, mutual cooperation of Western European countries, their self-help and, above all, American aid, have made possible tremendous strengthening of the economies of Western Europe.

The Marshall plan, conceived and administered on a voluntary basis, has averted economic disaster and bankruptcy of Western European nations. It has made possible a strong organization for European Economic Cooperation carrying on the task not only of gradual integration of Western European economies, but also of cooperative programming in the development of Europe's future economic resources.

The Marshall plan made it possible to stop inflation and prevent financial collapse in most of the Western European countries. It helped avert mass unemployment. It created the European Payments Union which, by removing the barriers to monetary exchange, primed a free flow of currency and credit necessary to sustain trade among European countries. By closing the dollar gap and reestablishing a large measure of the balance of payments between Europe and the rest of the world, the Marshall plan has made it possible for European countries to begin to pay their own way in providing for their needs.

With the exception of France and, for different reasons, the Netherlands, the Marshall plan has made it possible for most of its participating countries to raise the real income of their wage earners substantially above prewar levels in a remarkably short time. It has helped sustain full employment in most of the countries and made it possible to reduce unemployment in others. It provided means for freer movement of workers across national boundaries. It has helped discover outlets and means for overseas migration to surplus populations in Europe.

It has provided technical assistance for the difficult and important task of rehabilitation and economic integration into the Western European economy of some 10 million refugees and expellees from the other side of the iron curtain, and some of them very recent arrivals.

And, it has launched a program designed to enable European industry to increase productivity, basing the productivity program on the principle that the benefits of reduced unit costs will not be confined to increased profits, as in the past, but will be passed on to benefit the community in the form of lower prices and increased wages.

In the development of these programs labor played a vital part through the activity of Trade Union Advisory Committees, estab-

lished in most of the ERP countries, as well as through the work of the ERP-TUAC, now merged with the European Regional Organization of the International Confederation of Free Trade Unions and the activities of many international trade secretariats.

In the short time of the Marshall plan operation, a firm foundation has been laid for building a strong Europe—a free and united Europe.

The crucial question before this Congress is, How should the remainder of the program of European recovery be related to the mutual defense of Western Europe?

There is before the Congress the proposed economic program for Europe totalling \$1,675,000,000. We regard this amount as the absolute minimum consistent with the discharge of the responsibilities the United States has assumed toward the completion of the task undertaken in 1948. But we are deeply apprehensive about the manner in which the future program is to be administered under the proposals now before the Congress.

Economic assistance is completely subordinated to military defense in the proposed program. The economic aid is put entirely in defensive terms. The justification given it is a purely emergency justification.

We question the wisdom of this approach. The relationship between the United States and the free nations of Western Europe is not an emergency relationship. It is, and should be, lasting and permanent. Our dependence on a free Europe, a Europe growing in strength, is just as vital as the dependence of Europe on a free and strong America.

We should state our purpose and our policy in positive terms. Short-term needs and emergency steps should be made subsidiary to long-term objectives. We should recognize that a diminishing amount of temporary aid is indispensable to achieving long-term goals.

Every American should recognize what the economic assistance under the Marshall plan has meant in the past and what economic aid will mean in the immediate future. It should be clearly realized that every dollar spent to assist the European recovery was spent, not abroad, but in the United States.

Since I have returned, Mr. Chairman, I have visited almost all of the States in a very short time. I have seen a number of factories which would have shut down, which were primarily wartime plants, in which there were thousands of workers who had migrated from other sections of the United States to do war work and who had been stranded at the end of the war, and all of that stranded population would not have been employed if it had not been for the Marshall plan aid. These workers would not need any explanation of what I am trying to state here because they know it from their own very vivid experience.

Our aid has not been for selfish ends. However, we have to emphasize this point because the great majority of the American people still think these vast amounts of money are sent abroad, are never returned and are not playing a productive part in this country.

It should be understood that if it had not been for the large-scale employment generated by the Marshall aid in the United States, the mild recession we experienced in 1949 would have undoubtedly extended into a full-fledged depression.

It should be recognized also that the rapid expansion taking place in our economy as the result of the defense program is generating industrial capacity and employment opportunities which will not be sustained indefinitely unless our growth is matched by the economic development elsewhere in the free world. We will be paying a small price in supporting the flow of exports desperately needed abroad in relation to the future gains we will get from the growing markets for our goods in foreign countries this aid will generate in the future.

We are keenly aware of the fact that the European countries have been doing, and are doing, their full part in terms of both self-help and mutual cooperation to translate the limited amount of our assistance into a vastly greater program of economic expansion. They have been doing this under enormous handicaps which have been overcome only because of their unswerving adherence to the principles of mutuality and constructive cooperation.

Commodity speculation and raw material shortages since Korea have dealt a severe blow to the economies of Western Europe. Although the Marshall plan stopped inflation in the ERP countries in 1950, a new inflationary round has been set off, cutting deeply into the real income of the mass of the Europeans.

Let us look at the basic facts of economic life in Western Europe. Here is the comparison of the per capita income in the United States in 1949 as compared with some of the Western European countries.

May we have that table reproduced in the record?

Mr. VORYS. That is a table I have been looking for for 3 weeks and it is the first time we have had it. Thank you.

Mr. CARNAHAN (presiding). We certainly appreciate your putting it together. It will be copied in the record.

Mr. VORYS. We feel pretty sure of the statistics too.

(The table referred to is as follows:)

Per capita incomes, 1949

United States.....	\$1, 453	Iceland.....	\$470
Switzerland.....	849	Ireland.....	420
Sweden.....	780	Western Germany.....	320
Great Britain.....	773	Portugal.....	250
Denmark.....	689	Italy.....	235
Norway.....	587	Austria.....	210
Belgium.....	582	Greece.....	128
Netherlands.....	502	Turkey.....	125
France.....	482		

Source: Statistical Office of the UN.

Mr. SHISHKIN. I would like to point out that roughly here is the picture in Europe. The per capita income in the United Kingdom is roughly half of the per capita income of the United States.

The per capita income in France is roughly six-tenths of the per capita income in the United Kingdom.

The per capita income in Italy is roughly half of the per capita income in France.

So, you have these disparities in the standards of living that have to be recognized when we are dealing with the problem of economic integration, or with objectives that are long-term objectives that need to have, broadly speaking, a short-term program to accomplish them.

In this connection I would like to point out also that it is increasingly apparent from this very comparison of what we are dealing with,

what still remains to be done in the situation. The dollar gap, as we understand it, and as the professors of economics, some of whom are now engaged in governmental activities, have been interpreting it for some time, is a limited kind of a problem. There still remains a residual problem we cannot overlook.

It is not enough for us to close the dollar gap. We have to look at these comparative figures and find out what can be done in those countries with a low income so as to prepare them to resist Soviet aggression. The way to do it is to win the minds and hearts of these people with the low standards of living, and the source of that inspiration is in the United States.

Much has been said about the effect of the Marshall aid on the standard of living of European workers. Some critics have complained that the Marshall aid has made the rich richer, and the poor poorer, repeating the charge made by the Communist propagandists. This charge is false. The available figures show that the real earnings—that is, wages adjusted for the cost of living—have increased in virtually every Western European country between March 1948 and the end of 1950.

The real earnings were virtually unchanged during this period in the United Kingdom, and they have declined 3 percent in the Netherlands where the decline was due mainly to the loss to the Dutch economy of foreign exchange in the east and a high rate of investment at home.

In France the real income of a worker with two children increased 1.7 percent during the Marshall plan period; in Italy for a worker with three children, 11.1 percent.

In Austria the worker's real earnings increased 23.1 percent; and in Western Germany, 61.3 percent.

The result is that with the exception of France and the Netherlands, the real earnings of wage earners in all ERP countries were above the prewar level of 1938 by the end of 1950. In the Netherlands these earnings were still 16 percent short of prewar and in France almost 20 percent short for a worker with two children. They were even shorter for a single worker because the family allowances play an important part.

I am reciting these figures particularly because I think it is terribly important for us to look at the real facts and put them in the proper perspective. It is very easy for anyone looking at the conditions of wage earners in one of these countries to say the Marshall plan has done thus and so, or this was the effect of the Marshall plan.

The very narrow relative margin of aid the Marshall plan has provided has been directed in almost its entirety to the capital investment for the development of the dormant resources of these countries.

Capital investment in hydroelectric plant means investment in future power for future production in consumer goods only at a later date. It is not immediate.

Yet there is a very real problem on the part of many of the European governments in their failure to take the necessary measures to see that the recovery has been progressing equitably. Therefore, we see wide disparities in the different countries. There has been a question long debated as to the extent which any American mission in a foreign country should intervene or not intervene in that country's internal affairs.

We feel that this question can be resolved by the kind of thing that was done in the adoption of the Marshall plan at the beginning. Stated in broad terms it would be a requirement placing the obligation on the foreign government to undertake the necessary measures through their own legislative powers, with full preservation of their sovereignty, to insure across the entire range compliance with the basic purposes, I have stated here.

Two things must be borne in mind in connection with this economic analysis. One is that in the past 3 years European reconstruction called for heavy capital investment. The heavy outlay in capital equipment could not bring an immediate increase either in the supply of consumer goods or in the standard of living of the workers.

But this investment has laid a firm foundation for increasing living standards in the future, if sound policies are pursued by the countries concerned.

The second factor is the basic disparity in the earnings in highly industrialized countries, such as the United States, and the industrially backward countries of Europe. A recent study by Irving Kravis, of the Bureau of Labor Statistics, on the Work Time Required To Buy Food, shows the disparity in the level of earnings before the war and in 1949 and 1950.

By 1949, the buying power of the workers' earnings in terms of food equaled or exceeded the comparative prewar level of relation to the United States in all countries except France, Austria, and Germany. This study reveals that between 1949 and 1950 the buying power in the ERP countries did not keep up with the United States where an improvement has taken place.

Thus, the 1950 comparison shows some deterioration in the buying power of Western European workers in Austria and Germany, and especially in France.

Mr. Chairman, I would like to have this table, which gives this comparison inserted at this point in the record.

Mr. CARNAHAN (presiding). Without objection, it will be done.
(The table referred to is as follows:)

Indexes of purchasing power of hourly earnings¹ in terms of food, prewar, 1949 and 1950

(United States = 100)

	Pre-war	1949	1950		Pre-war	1949	1950
Austria (Vienna).....	38	26	28	Italy.....	26	24	24
Denmark.....	79	80	73	Netherlands.....	45	47	33
France (Paris).....	68	37	31	Norway.....	68	88	84
Germany.....	81	33	38	Sweden.....	80	68	63
Great Britain.....	73	80	72	Switzerland.....	49	51	46
Ireland.....	44	46	46				

¹ Work Time Required To Buy Food, Irving B. Kravis, Monthly Labor Review, February 1951, pp. 149-151.

Mr. SMIRNIN, I think it is a crucial point that has been overlooked and is not sufficiently understood in this country, that the prewar levels in the European countries, by and large, with variations, of course, were vastly lower than the level of the ability of the American wage earner to purchase for an hour's work the food that is necessary to sustain him.

The war has meant a terrific drop in most of the countries in that standard.

In Germany, for example, before the war it was about half our standard. You had to work 2 hours to buy what we work 1 hour for in the way of food. After the war it was only a third.

So you can see the basic relation in terms of food, which is the essential burden on the purchasing power of the European worker, and which provides the measure by which we can estimate our continuing responsibility in economic assistance.

The plant in Morgantown, W. Va., which I visited recently, which had been engaged in the making of fertilizer under the Marshall plan, has a personal concern in this because they know that fertilizer which they have produced, and which gave them jobs, has given the European countries an ability, with the fertilizer, to develop production themselves, not to be relying on the United States taxpayers for continuing support.

That is the dramatic example of the kind of thing this problem involves, and which cannot be written off because the dollar gap is closed.

The significant fact is that the workers of Italy could earn in an hour only about one-fourth of the amount of food an American worker could earn before the war, and this ratio had not substantially changed by 1950. But this disparity is clearly not the failure of the Marshall aid. Actually had it not been for the Marshall aid, Italy would have been swept by a devastating famine instead of being able to maintain even the low level of living they have.

There are two considerations we believe Congress should have in mind in this connection:

(1) Economic assistance should be made conditional on policies which would translate increasing productivity into higher wages and lower prices under the policy we recommended in the amendments to the Economic Cooperation Act I suggested earlier.

(2) Affirmative steps should be taken by the Overseas Economic Agency to make sure that the investment capital accumulated by the participating countries, much of which is outside their own borders, should be put to work toward the economic recovery of these countries. Repatriation of the escaped capital held for foreign accounts can make an enormous contribution toward stepping up the progress of economic development in Western Europe.

Mr. Chairman, I have not seen any evidence of any affirmative action taken by the United States to make sure that appropriate steps be taken, in the light of the vast amount of foreign private investment capital being sheltered within our own country when—

Mr. HERTER. Has the gentleman taken it up with the Secretary of the Treasury?

Mr. SHISHKIN. My witnessing of this problem was in a capacity of a bureaucrat, in our Foreign Service. I was not in a position to take the problem to the Secretary of the Treasury.

Mr. HERTER. Excuse the interruption.

Mr. SHISHKIN. With regard to the labor program of ECA, I wanted to say very briefly this much and leave whatever else the committee might like to know to questions.

Operation of the ECA's labor program has been of strategic importance. It has resulted in positive progress toward increased productivity, manpower utilization, migration of surplus population,

and resettlement and integration of refugees. Above all, the labor program has brought free European labor into a direct partnership with the programs of economic development in individual participating countries and in Western Europe as a whole.

This program reaches far beyond the assistance provided under the country programs in strict economic terms. Utilizing the resources of technical assistance and exchange of personnel, the labor program should continue to play a larger part in strengthening the anti-Communist European labor, independent of the dollar aid provided.

This particular phase of the labor program should be based on the acceptance of the free and independent democratic unions in Western Europe as the primary instrument of European labor policy. The International Confederation of Free Trade Unions is the agency which we must accept and rely upon for furthering the objectives of the European workers through the representatives of their own choice.

Greater utilization of facilities to the trade-unions of the United States, especially to receive delegates of the European trade-unions, would further the objectives which we have already advanced among the Western European nations.

To put it in a sentence, my experience with the labor program is that it is fundamental to the program as a whole. We have to realize we are strengthening these countries. Their institutions are the ones we have to rely on, we must make sure that we do not have a number of people brought over with our assistance who go over to Europe and begin to tell the others what to do and how to do it, setting themselves up as a complete judge.

If the Europeans have democratic institutions, and if they have a free trade-union movement, that is the test of their ability to deal with these problems.

The American Federation of Labor wishes to emphasize the key importance of assistance to underdeveloped territories in which a relatively small amount of aid can bring the largest returns. The American Federation of Labor was represented by Mr. Lewis G. Hines on the International Development Advisory Board headed by Mr. Nelson Rockefeller, and supports the basic findings and recommendations in the report of that Board.

I might add that Mr. Rockefeller asked me to serve briefly as a consultant but my service was so brief, and limited to the final editing of the report, that I do not think my contribution is of any great significance. I did quite a bit of work on the preliminary studies leading to the report.

The present appropriation before Congress calls for \$85,000,000 under the point 4 program. We regard this appropriation as, indeed, a modest step in the development of a cooperative point 4 program.

The program of international development is based on the proposition that the free nations of the world working together with the underdeveloped countries, each making its proportionate contribution toward the total effort, is indispensable to the success of the program.

This is by no means a give-away program. It is one that will start us on the way toward growth and betterment of the standards of living in the most depressed areas of the world where the greatest strides could be made in economic progress. Let me stress the state-

ment made by the International Development Advisory Board with regard to labor standards. The Board said:

Improving the standard of living of the people of the underdeveloped areas is a definite strategic objective of United States foreign policy. That grievances are constantly being exploited by subversive forces hardly needs elaboration. Soviet agents have been particularly diligent in efforts to propagandize and control industrial and rural workers.

The free trade-unions in the underdeveloped areas have done a praiseworthy job in fighting off Communist and Fascist infiltration, while striving to better the lot of their members. In this they have been aided with funds and advice from United States trade-unions. The Advisory Board recommends the continued encouragement of the free labor unions in the underdeveloped areas.

We again reiterate the need of prosecuting this program in full and in placing it in positive terms of an affirmative United States policy.

Above all, we wish to emphasize the need to utilize fully the trade union resources in both the substantive programs and in technical assistance. Labor must play a leading part in helping the balanced progress in economic development. For upon free labor falls the double duty as a guardian against Communist subversion and as a guardian against exploitation.

I would like to add one word, Mr. Chairman, that in the contemplated programs of capital investment we feel it is vitally important that the recommendation of the Rockefeller board to maintain minimum labor standards set by the ILO will not be overlooked. The minimum standards need to be maintained. The minimum labor standards need to be supplemented by a basis in which there is a full realization on the part of the people in those areas that the investment will not be for exploitation.

I want to thank you, Mr. Carnahan, for your patience and your generosity in the time you have afforded me. I appreciate the opportunity to be heard.

Mr. CARNAHAN (presiding). We are grateful to you for bringing us this very thoughtful statement. It will be worth a lot to the committee in our consideration of the bills before us.

I will not go around completely. I will do as I did before. I will recognize any of you who have questions for 5 minutes. Mr. Vorys.

Mr. Vorys. Mr. Shishkin, are you going to appear before the Senate committee?

Mr. SHISHKIN. I think the American Federation of Labor will ask for an opportunity to be heard.

Mr. Vorys. I hope you can do some missionary work there.

We had some provisions in the point 4 legislation last year somewhat along the lines you recommend, I think possibly due somewhat to your inspiration. They died in conference. We are not permitted to speak of the other body, but I urge you to tell the story there too.

I was encouraged when you said "advance acceptance by the participating countries of positive conditions." Then your only legislative suggestion was to change some words in the declaration of policy. We have found out that we can put anything we please in the declaration of policy, but unless you write in conditions that our negotiators have to consider, such as in section 115 in ECA, and we have a few in the point 4 legislation, our negotiators horse around and say, "Well, we talk to them about it. We used our influence and coaxed, but they did not want to do it. So we did not do anything about it." I wondered what your idea was about writing in positive advance conditions.

Mr. SHISHKIN. I will be glad to accept your amendment. Perhaps we have not gone far enough. We will be glad to go one step further. The reason I presented it this way was that in the Economic Cooperation Administration, which I think is an exception, they have accepted the declaration of policy very literally. They pursued it almost to a fault in taking that to be a substantive part of the legislation.

Section 102 is written a little differently. It is translated into an affirmative statement, into an operating policy, in the same section.

The important thing is to have the acceptance by OEEC, NATO, and other international organizations which are formed to handle the aid provided, to write that into their operating instrumentality as a condition of their participation in the receiving and administering our aid. Or, if bilateral agreements are made, to have them written in the bilateral agreements where appropriate.

Mr. VORYS. That is what I thought you were talking about, specific legislative conditions and advance acceptance by participating countries of such conditions. They would not be the only conditions you recommend, but other conditions.

We find this situation: We have stuff written into the purpose clause and elsewhere in ECA, and in MDAP.

Mr. Foster comes here, the MDAP fellows come here and say that this is not going the way they thought it should, and the way we thought it should and the way we had it in the law, that they could not get them to do it.

You have had some experience over there. I wonder if it might not help our negotiators to force them to say, "We do not want to hurt anybody's feelings, and we are sorry, boys, but this time it is different. We have a new law. You do not get the money unless you agree to this in advance. Then if you do not go through with your agreement, we have to stop letting you have the money."

As you say, the money comes back here. Would that work?

Mr. SHISHKIN. I would suggest, Mr. Vorys, that it will help a lot if the requirement be made in advance of the aid extended rather than in the specific negotiations. So our representatives would not be put in the position of trading on principles. This is a principle. That is the reason we stated it broadly. It should be made a condition. For example, there is a production-assistance program which is being developed in ECA, which has vast implications to the rebuilding of Europe on all fronts.

That kind of a program, to our mind, will be effective only if it is conditional. If it is conditioned on the plant-to-plant basis in France, Italy, and any other country, where technical assistance aid and tools will be provided only if there is an agreement—

Mr. VORYS. A three-way split?

Mr. SHISHKIN. Of making the benefits of that aid go to the consumers and the wage earners as well as the management.

Mr. VORYS. I think I have taken my time.

Mr. CARNAHAN (presiding). Are there any other questions?

Mr. FULTON.

Mr. FULTON. I want to thank Mr. Shishkin for his lucid and logical statement, as usual. We always enjoy his views when he comes here. I am interested about implementing the aid with economic conditions, but I am also interested in implementing the aid and the movement

toward greater democracy, with humanitarian conditions, liberties, and rights.

My one suggestion on your statement would be that you have emphasized the economic. But also as a correlative there should be emphasis put on these conditions that have to do with the movements of the countries generally toward the economic liberties and the liberties that we know.

For example, there might be a condition for freedom of religion in Greece, freedom of political prisoners.

In Yugoslavia, for example, there might be the further release of people who stand up for human rights as officers of the Government; witness the minister of the Government of the pre-Tito regime in the last few days.

Do you not think under those circumstances that the conditions should be expanded somewhat so that on the basis of your premise our representatives are not trading in principles?

Mr. SHISHKIN. I think you are quite right, that our statement of purposes and our statement of principles ought to be underlying our relationship in this way.

I would agree entirely with you if it were not for one question of getting involved politically. That is the extent to which we have a practical problem confronting a particular government today, let us say the Government of Belgium or Greece. At a specific juncture, when we come as representatives of the United States carrying economic aid and deal with the political questions involving freedoms of that kind, you get into something else. It may become a part of an economic bargain which might create a false impression with regard to our condition.

Mr. FULTON. Can we distinguish between two types of countries? One would be the countries which have a dictatorship type of government, either right or left; the others are the countries that have fundamental liberties that, nevertheless, need certain reforms, for example, against monopolistic controls and cartels.

In the type country where public opinion can be influenced, we should proceed on one basis, that would be Turkey, Greece, Belgium, France. But in the other type countries, such as Tito's dictatorship or Franco's dictatorship, do you not think we would be doing the people a service by inserting a declaration of these principles as conditions ahead of time? We do not then negotiate or bargain on certain standards they must meet?

Mr. SHISHKIN. I think with that modification I would go along with you.

Mr. FULTON. For example, in Formosa, on the system of slavery of young indentured girls that they have never corrected to this day. This is a system by which girls are kept as slaves without pay and sold by their families to other families for this purpose, and then later may be sold, as can now be done, under Formosan law into indentured services. We should proceed to put correction of those basic conditions as a condition upon which we will grant aid. Is that not possible?

Mr. SHISHKIN. I believe so. Of course, in Asia, where conditions are so different, our underwriting of aid on condition of major reforms or kind of changes that are necessary, is clearly desirable. But the actual immediate steps to be taken in order to provide the first

move toward the institutions toward which these people would look, would be far wiser than to come with promises of pie in the sky.

It will give more hopes as to the kind of things that are necessary as the first immediate step toward emancipation for a lot of people that have not even realized, despite the kind of revolutionary spirit in which they are imbued.

Mr. FULTON. The reason I am emphasizing this point is that when we come to our friends and allies we are always very strict, for example, in the Philippines on the aid just being given. We have put very stringent prior conditions that they must meet, both as to terms, as to government finances, and even as to the economics, before we would even negotiate for aid.

Why do we not do it for these other more backward countries?

Mr. SHUSKIN. There are two problems there. I have given you the first one. The second is that the institutions in that country have to be developed to deal with the problem itself. There have to be trade unions developed in the backward areas, as in southeast Asia.

Yet the very fact that they know that in order to achieve the reform they will rely on their own institution in that particular country is vastly more important than to try to rely on us and to run to some foreign adviser.

One of the last visits I made was in Turkey. They have a young trade union movement that has just been liberated from far-reaching restrictions of a dictatorship. I was the first American trade-union member to visit their trade-union confederation. There were many things they were groping for in the dark. We could help them. We do not have a labor attaché in the Ankara Mission. Argentina has; America does not. I am glad to say that as a result of my visit a labor attaché is going to be assigned there, and I hope it will be a competent person.

Here is a trade-union movement in Turkey in which the people are committed to every possible effort toward building a democracy with their own hands. We have to look to that institution to develop through their own efforts, as well as other native democratic institutions in all walks of life. That is their strength—their self-reliance.

Mr. CARNAHAN (presiding). Your time has expired.

Mr. FULTON. Do you not think we should hold back the heavy hand of dictatorship so these freedoms and those voluntary organizations can arise?

Mr. SHUSKIN. I think, Mr. Fulton, if it had not been for the American aid in Turkey, Turkey today would still be a dictatorship.

Mr. CARNAHAN (presiding). Mr. Javits.

Mr. JAVITS. We are glad to see you here. I have one main question and a couple of subsidiary ones.

Out of the considerable experience you have had with the workers in Europe, do you feel that if we undertake the Mutual Security Program, broadly speaking along the lines that have been outlined, there will be lots of changes? That it will give the European worker enough continuing heart to produce and to fight, if need be, with the feeling that he really has something to work for, some real objective worth working for, and even risking his life for.

Mr. SHUSKIN. I think if the proposed program in the size and the general approach which has been stated is done, it is positive assistance by the United States that will help those people have the kind of life

they are striving for, and that to be able to do this job themselves they will fight for it.

I think if we come to them and say, "A year ago the Congress of the United States provided this aid because it said these objectives were possible," they will have forgotten about that. If we say, "It is all for defense. It is all for ammunition only," I do not think it will give the Europeans heart.

I had a discussion with the late Admiral Sherman, with Admiral Carney, Admiral Ballantine, in the Mediterranean, and their first conviction—these are top military men—their deepest conviction was that our primary responsibility was to win the will of these people and make them sure that they understand that we are the revolution, that the oppression comes from the Soviet Government.

That was more clearly understood, I might say, by some of the military people representing us abroad than by some of the civilians in the diplomatic service.

Mr. JAVITS. As a personal note, I might tell you, I made a commencement address in New York City, and the subject of the address was that we are the revolution, in terms of real improvement for the free world, just the very words you used.

Mr. SHISHKIN. I might say, from personal experience, that the people in the outlying villages of Europe are for the first time realizing that this is really so. This is not just something that publicity men have written. We are offering the hope of the kind of a job we have done ourselves. Dictatorships are now for the first time identified by them with the kind of thing that Moscow gives.

Mr. JAVITS. Are we to understand, therefore, that the ECA has not been that program up to now? In other words, let us give the ECA the best of it, and assume it was designed to stabilize governments and give them some opportunity for putting their economic situations and balances of trade in some kind of order.

Do we understand then that is as far as ECA went, and that we still have to accomplish a program which you describe to get to the hearts and minds of the individual, especially in Europe?

Mr. SHISHKIN. I think I agree entirely with your approach. I think it has to be put in tangible forms in specific cases. I would say to you it would be best for us not to undertake a productivity project in a plant, a demonstration project in a particular plant, with our aid and our technicians, with the amounts coming in and providing a demonstration of what can be done with that plant, unless we have the advance assurance that in the improvement and organization of that plant, that plant is going to be producing for the benefit of the community, translating the lower cost in the form of lower prices and higher wages.

Unless that is done, I do not think it is worth our while to do it, because we will be identified with the feudal attitude of the employer.

Mr. JAVITS. Thank you, Mr. Chairman.

Mr. CARNAHAN (presiding). Mrs. Kelly.

Mrs. KELLY. I am very happy, Mr. Shishkin, to have a well-known economist to ask a problem that has been bothering me for a long time.

Do you believe this present crisis we are passing through, particularly in Europe, is a problem of wartime dislocation, or do you believe it is a permanent basic economic change due to a world-wide shift in

industrial development? I mean, the Old World industrial supremacy giving over to the Western industrial supremacy.

Mr. SHISHKIN. I think it is definitely the latter. I think the historical change antedates the war by perhaps almost as long as 100 years.

It seems to me, because we are in the advance position, and particularly during the last 20 years—20 years ago we were a secondary power, secondary trading power, secondary merchant marine, Navy, and today we have half of the world's manufacturing production—we are in the lead and have a special responsibility.

Our identity with the raising of the standards of living in other countries, our identity at this time when we have the defense program pressed upon us by the Communists, is particularly important. It is our leadership with which we can win the support and the following in the great half of the world which is really not identified with the free world—in the undeveloped areas, where great masses of people are still not self-governing.

I wanted to add in that connection, Mr. Chairman, that is, in connection with the organization of defense, of course, we feel strongly that Greece and Turkey should be included in the NATO organization.

Also, I would like to add, it does seem highly questionable to have the United States identified with the kind of thing that was carried in the newspaper headlines the other day:

In order to win the United States support, Franco agrees to restoration of a monarchy.

I am sure that is false, but that was a headline in the newspapers. We are not identified, and we do not want to be identified. We do not want to be put in a position like that when the Ambassador of the United States in knee breeches and white stockings rides to a reception with Franco in a carriage handed down from Washington Irving, driven by six white horses. Today in Europe there is a revolt against oppression and those conditions.

We have to grow up and face those realities today.

Mrs. KELLY. Are we facing this then in the right manner, in endeavoring to have the trade account of the nations balance?

Mr. SHISHKIN. We have developed the OEEC. Today there is a greater need than ever for the integration of European trade with the Western Hemisphere. Take the European Payment Union, for example. In order to survive it will have to be brought into a broader context of multilateral trade with the west.

Mr. Chairman, before I am excused I particularly wanted to say one word about a man to whom our country owes much. In my experience in the 3 years of service which I have had representing the United States, I want to pay a particular tribute to Averell Harriman. I cannot tell you how much we owe to him as a country for succeeding in some of the impossible tasks which we had undertaken when he came out there unaided and unguided to launch a Marshall plan in Western Europe. I think he has done a truly remarkable job, which because of his modesty it is easy to overlook. I wanted to testify to it personally.

Mr. CARNAHAN (presiding). Are there other questions?

Mrs. BOLTON. I have one question I would like to ask.

I wanted to speak about the per capita item in this table. If Mr. Smith were here tonight, I am sure he would want to say something

about the effect of the low income on the productivity for military assistance, and so on, in France.

Is there a point beyond which the people cannot be pushed? If the production for military purposes prevents production for a better standard of living, because the French do have a pretty low basis, what would be your idea of the effect upon them?

Mr. SHISHKIN. If I understand the question correctly, Mrs. Bolton, I would point out we have to be practical about it. Time is urgent. We do have skills and facilities in these countries in which we can do the immediate things, and that is to utilize the available skills and dexterities.

As far as the immediate objective of the military attainment of the necessary strength, it would not be realistic for us to begin to build the plant in France, and have it built 2 years later and go into production then to provide that production needed now. But for us to realize that a large part of war production could be made in the form of components here, but the assembly work done there, the contribution of that effort would provide for the extension of facilities gradually for the internal production and raising of the standard of living.

Mrs. BOLTON. I think Mr. Smith would have a good deal of his troubled thinking eased if he could have heard what you have said.

Mr. SHISHKIN. I can testify that in Greece, where the per capita income is half even of that of Italy, they could build five hydroelectric plants which would break the bottleneck and would double the standard of living in the next 5 years in Greece.

That would be such a tremendous thing that it would stand in the minds of those people as one of the most important milestones of their modern history. That would mean the transition from the forced agricultural handicraft production into a mechanized production for the first time. That would be the point of departure.

Mr. CARNAHAN (presiding). Mr. Herter.

Mr. HERTER. First of all, I want to compliment Mr. Shishkin, and Mr. Irving Brown, who worked with him for many years, on the tremendous contribution they have made to the success of the Marshall plan in Europe, a very signal success.

The question I wanted to ask is this: Do you agree with your predecessor, Mr. Baker, in feeling that in our approach—the legislative approach, not the administrative approach—we ought to operate along functional rather than regional lines?

Mr. SHISHKIN. I was making a mental note of that question when Mr. Baker testified. It seemed to me the functional approach itself certainly is the approach. I do not think it would preclude the regional organization for administrative purposes.

Mr. HERTER. That would be within the organization. I am speaking of legislative purposes only.

Mr. SHISHKIN. That is correct.

Mr. CARNAHAN (presiding). Are there further questions? If not, the committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 10:27 p. m., the committee adjourned to reconvene the following day at 10 a. m.)



THE MUTUAL SECURITY PROGRAM

THURSDAY, JULY 26, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we will continue the hearings on the pending Mutual Security Program. We have with us this morning Mr. Richard Bissell, Deputy Administrator of the ECA. We also have Mr. John H. Ohly, Acting Assistant Director, Office of International Security Affairs, who will sit with him. They will act as a team, with Brig. Gen. George H. Olmsted, Deputy Assistant Chief of Staff, G-4, Department of the Army.

Mr. Bissell, will you come around, please, sir. We are mighty glad that you are out of the hospital, and we hope you will not have any more appendixes bother you.

Mr. BISSELL. That is one disease I will not catch again.

Chairman RICHARDS. Mr. Bissell has been with us on former occasions. We are delighted to have you back here to throw some light on this very intricate subject.

Mr. Bissell, will you proceed in your own way? Have you a prepared statement?

Mr. BISSELL. I do not, sir. We had proposed that Mr. Ohly would start off, very briefly, if that is satisfactory with the committee.

Chairman RICHARDS. We will leave the procedure to you. If Mr. Ohly wants to make a statement now, he may do so.

STATEMENT OF JOHN H. OHLY, ACTING ASSISTANT DIRECTOR, OFFICE OF INTERNATIONAL SECURITY AFFAIRS

Mr. OHLY. Mr. Chairman and members of the committee, the purpose of the presentation this morning is to set forth and summarize succinctly and try to demonstrate the validity, beyond any reasonable doubt, of the program which we propose for Europe.

This is an intricate problem to present. We have decided the best way to do it is a team presentation. I am, in some respects, the ringmaster.

Mr. Bissell is here representing the Economic Cooperation Administration; General Olmsted is here from the Department of Defense, along with General Scott. Behind me, representing the political side of the State Department, is Mr. Martin, Director of the Office of Regional Affairs in the European Bureau.

Between us, and among us, we hope we can answer any questions you might have.

I would like at the outset to outline the points or the subjects which we would like to cover during the course of our presentation today.

You will want to interrupt many times with questions, but I would like each time after the question to bring us back to the outline so that when we get through we will have covered the various points in our agenda.

The points our group would like to make today are these: First, that this program in its generalities and in its details is founded upon and directly flows from a specific plan of action in Europe.

Second, that the total size of the program is, in our judgment, the minimum through which we can accomplish what must be done during the coming year.

Third, that the program as a whole, as we present it, is feasible and can be handled with the economic resources available to the United States.

Fourth, that the task which we are trying to accomplish in Europe can be greatly facilitated if it becomes possible to utilize the resources, the manpower, and the strategic location of Germany, Spain, and Yugoslavia, and I shall indicate how we have taken those possibilities into account in the preparation of this program.

Finally, we would like to take you country by country through the program as we have developed it in Europe, to show the military tasks that each country must carry out, the economic consequence of carrying out those military tasks, and the specific military and economic programs we have developed to help carry out these tasks.

Mr. EATON. Will you tell me who you mean by "we?"

Mr. OHLY. I am talking here about the team, and the team back-stopped by the agencies we represent.

Mr. EATON. Yes; but who is "we?"

Mr. OHLY. The executive branch of the Government.

Mr. EATON. I just wanted to make sure we were not involved.

Mr. OHLY. I hope you will be by the time we are through, and will join with us, Dr. Eaton.

I will start off by giving a general outline of the background. Then I am going to turn the matter over to General Olmsted for a short time to take up specifically the question of production capabilities, to show how these military programs have been meshed with and geared into our own military production program, and why we believe the foreign military aid programs we propose are feasible.

Then Mr. Bissell will take over, on the economic side, and cover a lot of points that have not yet been covered in these hearings. Then, operating as a group, we will take up this thing country by country.

Mr. VORYS. We have had an awful lot of background material.

Mr. OHLY. I realize that, Mr. Vorys. I think the things which I am going to talk about, while they may be general, will be of a type that you have not had.

Leaving aside the problem of Austria and Trieste, the problem we have in Europe is to equip and maintain the forces required to deter Soviet aggression in the North Atlantic Treaty area, or, if necessary, to defend against such aggression, and to do that while still maintaining in Europe political, social, and economic stability that will insure against the conquest of Europe through subversion.

This, I emphasize, must be done quickly. The time factor is a factor that we must not overlook.

(Discussion off the record.)

Mr. ONLY. We would have liked to have had those forces yesterday, not only in the terms of the defense of Europe, but because a solid core of military power in Europe means you can make collective security work elsewhere in the world.

This problem, or a major share of it, can be translated into a specific concrete plan, which has been developed by the North Atlantic Treaty Organization.

I say a "major share of the problem" because there are certain other peripheral problems. We must remember we are counting on certain of those North Atlantic Treaty countries, at the same time that they put up defenses in Europe, to carry on major tasks against communism elsewhere in the world, such as in Indochina, Malaya, and the Middle East.

In making our calculations with respect to what Europe can and should do, we must never forget that we are counting on those European countries to do these other tasks. The NATO plan at the moment, moreover, does not take into account the possibility of utilizing German, Spanish, or Yugoslavian manpower, and, therefore, I say the plan is only part of the problem.

This plan calls for the raising within a period of several years, and it is very carefully phased out, of a specified number of forces. I will not state specifically what those numbers of divisions are.

(Discussion off the record.)

Mr. ONLY. This plan means that Europeans must do several things. They must raise troops; they must equip those troops with military hardware; they must build the facilities that are necessary to maintain those troops and support them, the airfields, the lines of communication, and all the other many things which are necessary to military operations.

They must maintain those troops and provide them with food and clothing. We must never forget, in looking at this equipment problem, that these European countries, together with our assistance, must also do all of these other things, and those things are a real tax on their resources.

What we have done has been to attempt to convert this several-year plan—and we talk of it in terms here of approximately 3 years—into what it will cost, what it will cost to carry out this plan.

(Discussion off the record.)

Mr. ONLY. Of the total cost, roughly 50 percent represents major matériel costs—hardware. The balance represents the cost of raising troops, paying them, providing them with all the soft goods—food, clothing, and other similar things, and constructing the necessary facilities.

Having determined those costs, we then set about to make the best forecast we could of how much of that cost could be underwritten by Europe with a certain amount of economic assistance from us.

(Discussion off the record.)

Mr. ONLY. Moreover, it is obvious to us that a very large part of the European share of these resources must go to pay for the kind of things which we could not, under any circumstances, pay for.

They have to supply the troops; they have to maintain the troops; they have to provide the facilities. So, a very large share of the resources which Europe can devote to military purposes over the next 3 years will have to go to nonhardware costs.

If you do a bit of arithmetic, and, of course, all of this is very rough, you will find that if we are going to make this plan work, the United States is going to have to carry somewhere a fairly substantial share of the cost, largely reflected in hardware manufactured in this country and shipped over to equip forces which they will raise and maintain.

Chairman RICHARDS. When you say "hardware," what do you include?

Mr. ONLY. I include tanks, guns, ammunition, and items of a peculiarly military type. I leave aside personal equipment, food, minor engineering equipment, such as shovels, and that sort of thing, mess kits that the troops have to have, petroleum to operate vehicles.

Mr. VOYTS. Would that not be like the \$34 billion they are presenting downstairs out of the \$60 billion armed services program?

Mr. ONLY. I believe, sir, that that \$34 billion—and I have to get a military witness to check me on this—includes a lot of things which would not fall into the category of hardware. It includes procurement, but not procurement entirely of what you call hardware.

That, I say, is subject to verification. Perhaps Mr. O'Hara can speak to that.

STATEMENT OF R. E. O'HARA, BUDGET OFFICER, FOREIGN PROGRAMS, OFFICE OF THE SECRETARY OF DEFENSE

Mr. O'HARA. I am O'Hara of the Office of the Comptroller. There is of the total \$34 billion of procurement in this appropriation estimate before the Appropriations Committee now between \$20 billion and \$30 billion which is actually hardware.

Mr. O'HARA. Which compares with the end items.

Mr. HERTER. How much was there in the 1951 appropriation?

Mr. O'HARA. Approximately \$22 billion, including supplementals.

Mr. HERTER. The total would be \$52 billion.

Mr. O'HARA. The 2 years, approximately \$52 billion. It does include, in addition to what we normally call hard goods, ammunition, which is sometimes also spoken of as semisoft.

(Discussion off the record.)

Mr. ONLY. You can see that what this program is doing is taking a bite out of a very large program, a bite which, translated into military terms, taking ground forces alone, will be sufficient to provide substantially for the equipment for those forces which the European nations will have in being by the end of calendar year 1952.

(Discussion off the record.)

Mr. ONLY. Considering the size of these total requirements I have given you, the urgency of meeting them at the earliest possible date and the long lead time involved in producing many of these items, running from somewhere from 8 to 18 months on many of them—that means you must place the contracts 8 to 18 months before the time that you expect to be able to deliver the things—the bite that we are taking out of the total program—that we are proposing for 1952—is much

too small. It is less than the program which the Joint Chiefs of Staff recommended.

(Discussion off the record.)

Mr. OHLY. The reason it is so small, and not substantially larger, is due to limitations in resources.

The judgment was reached, after examining these foreign-aid requirements, together with our own military program, that without a higher degree of immediate mobilization than is now contemplated American industry could not turn out more than we are proposing in this program.

(Discussion off the record.)

Mr. OHLY. We believe that the cost estimates we have now, although subject to fluctuations, represent a reliable order of magnitude. It is founded on information which has been gotten from sources in these European countries and a real consideration of those costs by the people in the Military Establishment.

I might say also that our economic program is smaller than we would wish it to be, smaller than it should be in terms of getting the maximum out of Europe and out of certain other areas.

But again we are up against limitations in resources, scarcities of raw materials, tools, industrial equipment. Mr. Bissell will talk to that point, and show you how the economic program was tied into this study of world commodities and other materials.

But, at the same time that I say it is too small, I want to say that as a result of these studies—the examination of our proposed program, together with our own military program—it is our conclusion that the program is feasible, that we have hit about the level that can be handled by American industry during the coming year. We have been advised by Mr. Wilson that, in his judgment, that is true. I should also say by way of caveat—and this is something on which I am speaking only for myself—that if we find as the year goes on that we have underestimated what American industry can do in the way of producing hardware, I would personally recommend a supplemental appropriation.

I say I am speaking just for myself. I view the matter of completing this total program as one of such urgency that, with the production lead times involved, that would be my personal position.

What is this program? I will just outline it very briefly before turning the presentation over to some of these other witnesses who will go into greater detail.

On the military side, the total aid is \$5.293 billion. That is composed of four principal components.

The actual cost of hardware comes to about \$4.8 billion. We propose to augment the hardware which we purchase by approximately \$100 million of excess material that we do not have to purchase, on the assumption that the Congress takes action on the excess-property amendment which has already been discussed in this committee.

The second item goes under the strange name of accessorial costs. That means the cost of packing, handling, crating, and transporting those things out of this year's program and out of previous military programs that will be delivered during the course of fiscal year 1952. That comes to, I believe, \$378 million.

I will verify these figures later for the record since I am rounding some of them out.

Training is \$30 million. This embraces three different types of operations: the training of European nationals in our schools in Germany and in the United States, the sending of mobile teams of experts to some of these countries to give them special training in types of weapons, such as the 90-millimeter anti-aircraft gun, jet aircraft, B-29's and the furnishing to these countries of a large amount of instructional material or training aids, such as mock-ups, training films and pamphlets, and all the other things that will aid them to spread training on the use of all the different types of items which we are furnishing down into the roots of their own armed forces.

Finally, included in the military figure is \$53 million for two purposes. One purpose is our estimated contribution to the central expenses of running the North Atlantic Treaty Organization, and particularly the expenses of operating General Eisenhower's headquarters, SHAPE. The balance is for the United States costs of administering the military side of the program.

I should say also that included in what I called accessorial costs is \$41 million for the activation and operation of depots needed to support the air side of this military assistance program.

On the economic side, we are requesting a total of \$1.675 billion, which I shall not try to break down, because Mr. Bissell will follow me in a few moments.

We are also asking that we have the authority to transfer up to 5 percent of the total amount requested for both economic and military aid backward and forward between the military side of this appropriation and the economic side. This will give us necessary flexibility and permit us to meet emergencies that we cannot foresee, because in this business we know that forward planning cannot be wholly accurate.

Moreover, if the opportunities for increasing European production through inserting a larger amount in the economic side of the program should present themselves we would like to be able to shift over a certain amount that would otherwise be used to procure hardware in this country.

To the extent practical, the program has been developed with the knowledge that the task of defending Western Europe will be facilitated if the assets of Germany, Yugoslavia, and Spain can be taken advantage of.

To some extent this is reflected in the program which we present to you. We have specifically programed economic aid for Yugoslavia and Germany. No military aid has been specifically programed for any of these countries; no specific economic aid has been programed for Spain. I would like to explain the reasons for these decisions.

No military aid has been programed because we cannot at this time say with any exactitude the precise requirements of the three countries we are talking about. However, we have included in this program a moderate sum which has not been programed to specific countries.

(Discussion off the record.)

Mr. ONLX. What we will do, if we receive this amount, will be to go ahead and procure the planned amount in items which we know are needed in Europe; they are needed in the North Atlantic Treaty area even though we have not programed them for specific forces.

We also know, if we can work out the association of some German forces with the North Atlantic Treaty forces, that they are going to need that equipment.

It is also true in the case of these other two countries.

So, we do have this unprogramed amount we could turn to if, as a priority matter, it seemed important to furnish some equipment to one of these other three countries, or to all of them.

I would also like to explain why no specific amount of economic aid to Spain has been included.

(Discussion off the record.)

Mr. OHLY. We do not know what the economic requirements of Spain are. We proceeded in this program of only including those things that we could definitely justify.

If a need arose to furnish economic aid to Spain as the year goes on, we would have to examine very carefully the economic side of the program, that is, the amount we are now requesting, to see whether there was any possibility of diverting amounts from that program to an economic program for Spain.

Our tentative judgment is that this will not be possible, because every cent of that \$1,650 million has been programed, and the only thing to do then would be to come in for a supplemental appropriation of some sort.

Mr. HERTER. When you say that that \$1,650 million has been programed, have the individual nations been told what it is being programed for in this bill?

Mr. BISSELL. They have by now, Mr. Herter.

Mr. HERTER. So each one is expecting that from the United States in their calculations?

Mr. BISSELL. They have been told very specifically and in the strongest language we could devise that these are illustrative sums, that obviously the total is not only conditional on any subject review by the executive branch, but obviously on congressional action. We also told them as far as the executive branch of the Government is concerned—I think in this respect we certainly speak for the whole Government—that since this aid would be conditional on specific performance of various kinds, and would be for specific purposes, that they could not count on it until we had discussed with them and negotiated with them the performance on which it could be conditioned.

Chairman RICHARDS. Go ahead, Mr. Ohly.

Mr. OHLY. I think there is only one more point to make. Having in mind the fact that we could not make specific provision for some of these contingencies, either on the face of the bill or in the sums we have requested in the legislation, we have suggested that the structure of the bill nevertheless recognize the likelihood that these problems will emerge.

We are proposing on the military side that the President have authority, upon a finding that this is necessary to the defense of the North Atlantic Treaty area, to extend military assistance to other countries in Europe which are not members of the North Atlantic Treaty, which would include Germany, Yugoslavia, and Spain.

(Discussion off the record.)

Mr. ONLY. We would want to consult with the committees of Congress before we took any of these moves, but we would like to have that privilege in the legislation.

On the economic side we would like the legislation to be so framed that unlike now economic aid could be extended to the countries in Europe even though they were not members of the Organization for European Economic Cooperation.

We know there is going to be a need for economic aid to Yugoslavia and we are proposing some \$60 million worth in this program. There may also be a need for additional economic aid to Spain. Yet we are not at all certain that we will want to or be able to work out with the other European countries, or with those particular recipients, their accession to the Organization for European Economic Cooperation. We would like to see them join in with this Organization, but aid may be required before such an arrangement can be worked out.

Mr. VORYS. There was no answer to Mr. Herter's question on the military aid, as to whether the nations had been told. Mr. Bissell answered the economic part of it. What is the answer?

Mr. ONLY. On the military side they have not been specifically told. We do not give them specific amounts of money, Mr. Herter. We are working with them day to day, and we have to give them some indication of the type and quantities of equipment we are thinking about.

Mr. HERTER. As I understand it, that is directly related to the manpower they are willing to furnish; the equipment is supposed to run parallel to that.

Mr. ONLY. That is right. As I said earlier, the ground equipment, for example, is supposed to, together with what they are going to produce, to take care of the requirements of forces that will be in being at the end of 1952. They will have to have some knowledge of that.

Chairman RICHARDS. I want to ask that we go around on the 5-minute rule. Finish your statement, sir.

Mr. ONLY. I have about finished my statement. Any way you wish to proceed will be satisfactory. However, I think if I ask Mr. Bissell and General Olmsted to go ahead you will have a more rounded picture against which to ask your questions.

Chairman RICHARDS. I do not know about that. You are giving an over-all picture. You are blazing a path here, and some of us may want to ask you some questions.

Whatever the committee thinks will be all right. Does the committee think we better go ahead with the economic statement before we enter into questions, and then let the team answer these questions?

Mrs. BOLTON. We can write down our questions as we go along.

Chairman RICHARDS. Have you finished your statement?

Mr. ONLY. Yes. I would like to turn the presentation over to General Olmsted, who will talk on the production feasibilities of the program, and then to Mr. Bissell. After that we would like to go through the countries one by one.

Chairman RICHARDS. There will be some over-all program questions. You can reply to those when we get there. All right, General Olmsted.

STATEMENT OF BRIG. GEN. GEORGE H. OLMSTED, DEPUTY ASSISTANT CHIEF OF STAFF, G-4, DEPARTMENT OF THE ARMY

General OLMSTED. Mr. Chairman, Mrs. Bolton, and gentlemen, I am going to have to ask your indulgence in order that I can give part of this from the seat here and part from the charts. If the show is not as well organized as you might like, forgive me because I cannot get the charts any closer to where I am right now.

I would like to tell you all briefly some of the practical facts of the military programing, which can be supplemented as you desire by the specific answers to specific questions which any of you may wish to ask.

I would like to cover in my remarks how the general program is made up, what has happened to 1950 and 1951 funds to date, what our general objective is in the armament program, and how far we will get along on that program with the 1952 set-up.

I would like to point out some of the problems involved, the cooperation we are getting in a general way from our allied countries, and what we desire, targetwise, in further cooperation from them as time goes on.

That is about the outline of what I propose to say.

First, how are these programs made up? It starts with a war plan, of course. There must be an over-all plan. General Eisenhower has such for his area. Then there must be an assignment of missions by country and by service. That has been done. Then there must be a force commitment; somebody has to put up the necessary forces.

Inherent in the force commitment is the phasing of those forces. How fast can they be raised and made available to the over-all commander?

Having that basic structure of information, it becomes relatively simple then to create or establish a military program, because we have for each type of military unit a table of organization and equipment.

If you say a corps artillery battalion, automatically we can say how many weapons, how much ammunition per weapon, and what the other auxiliary items of signal communication equipment, transport, and so forth, might be.

Having established our basic force commitments and the phasing of those forces, the question of programing becomes a relatively simple program.

The issue, however, where judgment enters into it is how much of these items should we provide from United States resources, and how much can the country or should the country be expected to provide from its own resources.

On that issue of judgment our system of screening, as we refer to it, is implemented first by our country level teams.

In 16 countries now we have military assistance advisory groups, Army, Navy, and Air, made up of extremely able officers, on the whole, and who work very closely with these people, with frequent meetings of the Ambassador for the political side, and the chief of the ECA Mission for the economic side.

They are in daily contact with the forces of these allied nations to see what the country can absorb, what the rate of absorption is to guide our delivery, what they might be expected to do for themselves, an actual examination of their budget to see if adjustments can be

made so they can do more without undue infringement on their civilian economy.

Then their composite judgment comes back here to be screened against the factors of (a) availability of dollars and (b) production facilities from which to make the delivery.

That is the process that has been followed in the 1950 and 1951 programs, and that is the process that is being followed now as we start into 1952.

If I may refer to the charts, I will show you where we are now on the 1950 and 1951 programs, Army only. My colleagues from the Navy and Air will be able to answer any questions on their respective programs.

Undoubtedly you have heard a great deal of discussion about priorities. While we are in a position of combat expenditures in Korea and the augmentation of United States forces, and just gradually getting under way the productive capabilities of our own production plant in this country, obviously there cannot be enough for everybody. So we start with guidance from the Joint Chiefs of Staff as to who gets the equipment in case of short supply.

(Discussion off the record.)

Mr. OHLY. Summarizing the 1950 program, it is our present belief that the deficiency now in the general-purpose vehicles can be fulfilled by September, and that as of September there will be on the way to our allied forces the entire 1950 program.

The 1951 program, as you remember, was broken down into two parts—the basic and supplemental. Much of the funds for the 1951 program were not finally made available to the services until this spring.

Almost all of the performance on the 1951 program has to come from new production. There is substantially little stock available for the fulfillment.

Our target for completion of the 1951 program is June of next year. As I will show you on a general chart, that will keep us abreast of the essential requirements of our allied forces as they are phased into activation.

We make a special point even though an item is in short supply of making the minimum necessary quantities available for training.

(Discussion off the record.)

General OLMSTED. What have we bought in the way of forces in being for our 1950 and 1951 program? These are NATO forces only and include divisions and supporting troops.

The 1950-51 program army totals just less than \$3,000,000,000. For the forces which are in being now, according to the phase program, the equipment which will be delivered to them by the completion of the 1951 program, which will be June of next year, will provide the major items of equipment for 28 divisions. If we measure the number of divisions we can have in our mind that our total American Army in the last war added up to something less than 100 divisions. These are the NATO forces only. I am not giving you any presentation today in respect to the very substantial forces we have in the other areas.

Our 1952 asking, procurementwise, was \$3,000,000,000—

Mr. VOYTS. These are just NATO; United States forces are not included?

General OLMSTED. That is right. These are the allied forces that are committed to General Eisenhower's command. They do not include the allied forces, and there are some, that are not committed to General Eisenhower.

(Discussion off the record.)

General OLMSTED. By the conclusion of this expenditure of a little over \$6,000,000,000 we will have created under General Eisenhower's command military forces from the allied nations substantially equal to the size of our Army at its peak in World War II.

Mr. BURLESON. May I interrupt the General there?

If funds for this program were reduced, would it then be necessary for you to revise your whole plan? Is that right?

General OLMSTED. That is right. I will answer that further when we get to this bar here.

This is the total number of forces committed to General Eisenhower's command, with a small gap here. For security reasons I have not put the exact number on there, but the chart is proportionate. This is where we would be through 1952's programs.

(Discussion off the record.)

General OLMSTED. That figure is subject to variation from several factors.

One, the rising cost of military equipment might raise it. On the other hand, our continuing desire to increase the self-help which these countries are doing in rather substantial measure now will tend to decrease it. So we are continually exploring the possibilities that these allied forces operating within their own areas might operate on much more austere levels of equipment than our American forces, who operate and must be prepared to operate anywhere in the world. That figure may be susceptible to some increase. It may, and we hope it will be, susceptible to some decrease.

All of these figures I am giving you relate to the initial equipment—the capital equipment. It is our hope, as I will discuss in a moment, that we can over a rather definite period now phase the maintenance cost over on the countries themselves.

Mr. RUBINOFF. Mr. Chairman, there is a discrepancy in one figure between Mr. Ohly and General Olmsted. Is it proper to get that now?

(Discussion off the record.)

Chairman RICHARDS. We will go ahead. There will be lots of questions they will want to ask you later.

General OLMSTED. All right.

Naturally, the question is in everybody's mind that if we do not appropriate money at this rate, what will be the effect on this program. Our answer to that starts with this perfectly factual presentation of what the reorder lead time is to get major items.

When we say "reorder" we mean a factory already in being and already producing cranes and shovels—how much ahead of the time that we expect to get a crane do we have to place an order with that supplier in order not to interrupt his line. Of course, tanks we are all familiar with, and tanks are a critical item.

If we told one of our present tank factories now we wanted to order a thousand more tanks than the ones he had already contracted for, by the time he gets his steel contract placed and lines up his subcon-

tractors it would be a number of months. Although his line is actually in operation now, it would be a number of months before we could expect the first tank from him. Therefore, the necessity of our having our funds well in advance of the anticipated or required date of delivery becomes a very real problem as we focus our thinking now on the fact that our end-item program is more and more going to be made up of these long lead-time items.

Mr. VORYS. Will you translate those last four into English?

General OLMSTED. I think you have me, Congressman. This is a little walkie-talkie radio—the one they give you, that the individual carries.

Mr. VORYS. Yes.

General OLMSTED. This is a ground radio. My recollection is it is unit equipment up to about regimental size.

This is an early warning radar.

If any of you experts back there say I am wrong about it, tell me afterward and not now. However, I am quite sure of those answers.

The question also arises if we have these funds, can we spend them? Can our existing production capacity without further impact on our civil economy produce the items we are asking for now in the 1952 program? I have taken out sample items out of the categories that make up approximately 85 percent of the Army procurement, and also have an Air Force chart designed to answer those questions.

(Discussion off the record.)

General OLMSTED. The 2½-ton 6 by 6 truck is another very important item. If we went to a multishift operation and we could solve the bottlenecks right now this would be the rate at which we would get trucks delivered. Because of that actual bottleneck this is the present rate of delivery from the suppliers. This is the way the truck requirements have been planned, with again United States forces through 1952 and MDAP through 1951.

We have programed in the 1952 program 9,779 trucks.

There is a very interesting fact. Originally the request totaled about 30,000. Many of these countries are now getting back into the position where they can make vehicles of their own. Although their vehicles for military purposes are not as good as our 6 by 6, we recognize that, and so do they. They can make a pretty useful military vehicle. After all, the German Army did fight a good war without any such vehicles.

So, we have rather forced these people to look to their own resources for transportation and cut about two-thirds of the vehicles required out of the program.

(Discussion off the record.)

Mr. FULTON. Why are the Services storing vehicles in the United States? There is certainly no threat of immediate attack here. We have the Pressed Steel Car Co. in my district in Pittsburgh, and I am advised indirectly it is full of truck equipment.

General OLMSTED. I do not know the specific answer to your question, but I do know this. The shortage of vehicles in Korea has been so great that we have had to extract some of them from the hands of the National Guard to send them there.

Mr. FULTON. I have been advised we have a whole vacant plant with vehicles side by side in the warehouse.

General OLMSTED. Are they completed vehicles?

Mr. FULTON. Evidently. There has been complaint to me about it.

General OLMSTED. Are they 2½-ton trucks?

Mr. FULTON. I do not know what they are.

General OLMSTED. Make a note of that. We will look into it.

Chairman RICHARDS. We will help Mr. Fulton in his district a little later.

Mr. FULTON. With regard to your over-all requirements, are your commands holding excess equipment in all over the United States? I am not talking about my district now, but are you holding a lot in this country, or are you moving everything out where you need it?

(Discussion off the record.)

General OLMSTED. Our vehicles are being shipped overseas not only for the full table of equipment of our forces there, but the ordinary reserve requirements, both combat and peacetime, that our logistical experiences through the years have indicated as being desirable.

We are not storing them for a war reserve in the United States, if that is what you mean.

Mr. FULTON. That is what I mean. You are complying with the priorities you have spoken about?

General OLMSTED. That is right. This is another artillery piece—the 105 howitzer. That presents a little different aspect of the same problem. Up until 6 months ago from our reserves from World War II, we had all of the 105 howitzers we thought we were going to need.

(Discussion off the record.)

General OLMSTED. Summarizing this, gentlemen, it is our desire to impress you with the fact that existing American capacity without further impact on our civil economy can meet the 1952 program and meet our delivery target of December 1952, which is abreast of the forces that are committed to General Eisenhower's command.

Mr. VORYS. I do not understand that chart. It says, "Date funds required to achieve schedule." What schedule?

General OLMSTED. If this production schedule is to be continued—and again, there is a question of lead time, Mr. Vorys—the funds should be available here, if this production schedule is to be continued as programmed. If the funds are delayed and the rate is reduced, then that will have a corresponding effect on the number of end-item aircraft that will be available.

Chairman RICHARDS. Is this as of today, that point?

General OLMSTED. Yes.

Captain ASCHERFELD. If I may make a statement there?

Chairman RICHARDS. Yes, sir.

Captain ASCHERFELD. You stated that the Navy had no problems in connection with the delivery of the 1952 program. That is true considering that we get the funds or contract authority by the first of September of this year.

Chairman RICHARDS. General, will you have a seat there now? Did you complete your statement?

General OLMSTED. I have just a very brief conclusion to make that might be helpful.

Mr. FULTON. On that chart who will build the plants to increase the possible existing capacity beyond the demand, from the middle of 1952 on? Somebody will have to be increasing the actual size of those plants when the demand goes down in order to increase capacity

further as shown by the chart. Is it intended the Government will build those, or what?

General OLMSTED. These are facilities in being. This does not presume the construction of additional plants.

Mr. FULTON. In the middle of 1952, though, you will see possible excess capacity going up in amount, regardless of your demand. What will cause that excess capacity to go up?

General OLMSTED. An improved flow of subcontracting and improvement of the availability of the skilled labor. It takes quite a little while to get one of these factories into motion, as you know.

Mr. FULTON. But there are no new plants there?

Mr. O'HARA. There is some additional tooling required for the new type of aircraft involved. There is specialized tooling to produce some of the new airplanes and new engines.

Mrs. BOLTON. Which involves the machine tool industry?

Mr. O'HARA. Yes.

Mr. OILY. It also reflects whether you operate on one, two, or three shifts. Once you have built your capacity up to a total capacity to produce, that is, once you go on three shifts, you can build that up.

Chairman RICHARDS. Let us go ahead now. After you finish your statement, we will have Mr. Bissell's statement. The committee is going to want to question you on the points that have been raised, and some other points.

I do not want to be discourteous to anybody on this committee, but we have decided on that procedure. I do want everybody on the committee to ask any questions they want of anybody.

General OLMSTED. I said I would also comment on our allied countries' present contributions, and what we would like to see happen from these contributions with some idea of target date, as to when we might think they would accomplish some of these things. I am not going to go into detail with each one, but I think it would be of interest to you all to know that France raised and equipped herself, without any help from us at all, seven divisions. I think that would be of interest to you, too, to see an example here that just came to my desk this morning of how our aid program integrates with actions that must be taken over a long period of time by the countries themselves.

Mr. HERTER. Might I interrupt for just a moment? I wonder if the general could indicate to us when he gives a figure of that kind whether it is a secret bit of information or whether it is public information?

General OLMSTED. I believe that figure has been published by the French themselves.

Mr. HERTER. It is a little confusing. Excuse my interrupting, but I think we ought to be clear as to what is secret and what is not.

Chairman RICHARDS. We are going to consider everything you said as being in executive session, General. In the absence of any statement on your part that this should be kept doubly secret it will be put in the minutes of the executive session and not revealed.

Mrs. BOLTON. Unless it is okayed for revelation.

Chairman RICHARDS. That is right.

Mr. VOYTS. It is hoped to have part of all this testimony published, is it not?

Chairman RICHARDS. Oh, yes. I should have stated that. After you have given this testimony, we want you to go over it and allow as much as possible as can be allowed to be used in debate on the floor of the House, because we need it.

General OLIMSTED. My good lawyer, Mr. Efron, will review the record, and I am sure his views will be generous about your problem there.

Chairman RICHARDS. All right, sir. Go ahead with your statement.

(Discussion off the record.)

General OLIMSTED. As a general statement—and with this I will conclude—we have now asked for and have gotten from all of our allied forces the capacity from them to program for themselves their own soft items, that is, their uniforms, food, their quarters, their pay, and the ordinary housekeeping equipment. We are no longer programming any of that sort of aid for our allies.

We have now advised our mission chiefs that we want these countries to become self-sufficient on the question of spare parts and ammunition, which represent, respectively, about 20 percent each of the total portion of the program.

Many of these countries can make their spare parts, and all of them can make ammunition up to, say, midrange, or midsize artillery. For those who cannot, we are telling them, "You had better get yourself in a position to buy these things from us rather than to expect them as a continuing grant aid."

We believe as a general thing that we can get these allied forces self-sufficient on the question of spare parts, which is important because of the continuing expense burden, as well as on ammunition which is very important for the same reason, plus the fact that ammunition is a huge tonnage item in the event of war.

On the shorter lead time items which come forth in our priority toward self-sufficiency for these countries—I am talking now about rifles, machine guns, and mortars—almost all of our European and Mediterranean allies now are making their own rifles. Most of them are making their own mortars and machine guns. Many of them are making their lighter signal and engineer equipment. That is the next category toward which we want to see them achieve a self-sufficiency.

On the longer lead time items, like the heavier items, which is the final category—and there I am speaking chiefly of heavy artillery and heavy engineer equipment, as well as the more complex electronics equipment, and tanks, airplanes, and vessels—on those things for the foreseeable future it may be more economic in our common defense program for us to plan to make those here. It may be possible, and it will in some cases be possible, for us to effect the transfer as a cash sale. But from the standpoint of construction and the desirability of trying to go into the construction of heavier items, where the facility itself might not be usable until 2 or 3 years from now, while the area over there is as sensitive as it seems to us, it may make more sense to do it here.

That, in essence, is our program toward getting our allies to a state of self-sufficiency, and that is our time target as nearly as we can give it to you.

I would say in our decision now about the 1952 program that a material change will invite a series of disruptions of commitments that have already been made to us by our allies. It will open the door to give them an opportunity to do less themselves because of the claim, "Why organize a tank battalion, or why create an armored division, if the equipment is not going to be available?"

I would say in our own self-interest for the over-all period of military danger in which we are, between now and the time when we actually get strong—in our own self-interest or in the interest of attaining self-help from these countries, the speed of accomplishing this program is important.

Chairman RICHARDS. Thank you, sir. We will want you for questions later, so you will be available, will you not?

General OLMSTEAD. Yes, sir.

Chairman RICHARDS. Mr. Bissell.

STATEMENT OF RICHARD BISSELL, DEPUTY ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION

Mr. BISSELL. Mr. Chairman and members of the committee. I think the most useful thing I can do for the committee today will be in the nature of answering questions, and I will try, therefore, to spare generalities as much as I can, and I will be very brief in this regard.

You have had rather extensive testimony already on the need for some economic support of these European countries next year. I want to address my remarks to two or three questions that seem to me unanswered or inadequately answered in the preceding testimony.

From the nature of this subject I think many of your questions will have to do with specific countries, and the indicated needs for them, and the specific circumstances. In talking about the problem as a whole I cannot be, therefore, as specific as I would like to.

The first question to which I wish to address my remarks is the relationship between what is called, and here referred to, as economic support for rearmament—a continuation of economic aid and the actual process of rearmament itself in the European countries.

In the last 2 years under the MDAP legislation one of the forms of military aid that has been provided by the United States has been the financing of raw materials, components, machine tools, and the like, that were destined to go directly into military production in allied countries.

As you know, what we are proposing for next year is a different procedure than that. We are proposing, in effect, that we should provide such aid for that same purpose, but not limited to the financing of raw materials and equipment that can be identified as going into military production. Instead, we are proposing that there should be a continuation of some economic assistance, administered as it had been by the ECA in the past.

I think in a way the central question—the central point I would like to try to make clear to you is the relationship between that need for economic assistance and rearmament in any one of these countries.

Very briefly, the process we have gone through in assessing this need and the considerations out of which it grows I can put as follows:

In most of the countries of Europe—the notable exceptions are Italy and Germany, and on a small scale Belgium—there is full em-

ployment today, or pretty near full employment of the labor force, and a fairly full employment of all industrial and other productive facilities as there is in the United States, and as there was really, or very nearly in this country, when our rearmament program started in earnest last summer.

We expect that those countries, as our allies and as members of the North Atlantic Treaty Alliance, will increase their total military expenditures from approximately \$7,500,000,000 this year to a little over \$11,500,000,000 next year.

Those figures I am giving you are for all of the Marshall plan countries and go beyond the North Atlantic Treaty countries themselves.

That additional military expenditure out of their own budgets—and expenditure for the most part within the countries themselves—is a measure, of course, of an added economic load on them. To understand the relationship between their need for external aid and any such added load, it is, I think, important to follow through the impact that these expenditures, and especially these increased expenditures, will have on each of the European countries.

It will, of course, require the employment of substantial additional people, both in the military services themselves and in the military production. That need will be met in part by fuller employment of people already employed in part; drawing the unemployed into employment in countries like Italy and Germany; and in part by diverting manpower from civilian to military production.

If the expenditures are to be made and the production is to be accomplished, it is also going to be necessary, of course, to divert other economic resources, notably industrial and other productive facilities. It will be necessary to use substantially increased amounts of raw materials. Furthermore, foods, raw materials, and other goods, will be directly consumed on a larger scale by the armed services themselves.

Almost all of these countries are dependent on their foreign trade to a very much greater extent, of course, than is the United States. In a small country like Belgium there is a dollar of imports for every \$3 of the national income, and a similar amount of exports. Naturally, therefore, as the process of rearmament absorbs manpower, productive facilities, raw materials, and commodities in larger and larger volume, these countries will have to import more goods for rearmament purposes, and there will be a diversion of economic resources away from the production of exports and the rendering of services that earn foreign exchange resources for them.

It is through that chain of causation that larger military expenditures within the country increase their need to bring in and to buy goods and services elsewhere in the world and reduce their capacity to sell goods and services, and thus to earn funds or money elsewhere in the world.

It is to meet that situation that it is proposed that they should be supplied with economic assistance. I think it is probably—and we can make a rough calculation of this—that in every one of these countries the amount of economic assistance that is proposed to be furnished will be less than sufficient to finance the commodities, the machine tools, the equipment, the raw materials, the services, that

they will have to import from abroad to put directly into military production. I believe, therefore, that if we were to limit our financing to those imported goods and services that do go identifiably into military uses, we would come out with figures somewhat larger than those before you, although we have not made a precise calculation.

Naturally then, the question arises, why we do not in fact use the procedures that we have employed in the past under the military defense assistance program--the military aid program--rather than the procedures that have been employed in the furnishing of ERP or Marshall-plan aid. I think the answer to that question is that we are concerned, and we must concern ourselves, with the total resources of these countries; with the uses to which they put not only the resources that they are enabled to buy with our financing and with funds that we provide them with, but also their own resources.

I use the word "resources" here to include not only the goods and services they import from abroad, but also their own domestic resources; the use of their own manpower and their industrial facilities, and goods that they produce domestically.

If I may try to drive home this point, if we were next year, with such material as copper or aluminum, to take the position that we would finance only that part of it that identifiably goes into military end uses within the receiving country, and if we were to concern ourselves only with the use made by the country of the goods we finance, it is quite possible that there could be a diversion of copper secured from other resources; of copper or aluminum produced domestically or produced in the country's own colonies, to uses that we would regard as low priority.

The wastage of resources against which we feel we must be on guard, could occur, and our narrow controls over the goods that we finance would be quite inadequate to achieve the purposes we have in mind.

Therefore, it is our belief that broadly the principle that must be applied next year in the administration of economic support, whatever the details of its administration, the broad principle must be that we must insist on what we regard as a satisfactory and appropriate use by these countries of the whole of their economic resources; their own indigenous resources and goods and services that they import from abroad. We must not confine our examination and our conditions merely to the goods that are financed by the United States.

Given that need for agreement with the countries on the whole of what they are doing, and on the use of all of their resources, there are very great advantages of a purely administrative and mechanical nature not to limit dollar assistance or economic support to the financing of goods and equipment that can be traced through to military end uses.

In effect, what I am saying is that we propose and we feel what is necessary is a broader and more comprehensive and more exacting condition applied to any economic support than the condition that would be applied if we satisfied ourselves merely as to the end use of the particular goods that we financed.

I want not to raise still a third question which has come up in previous discussions of the committee, which I think can be put in this form. It is perfectly clear that some of the economic aid that is

proposed in this legislation before you is not to support rearmament in Europe. It is for recovery purposes of exactly the sort to which the Marshall plan has been directed in the past.

I think the committee has evidenced some interest in the extent to which the economic support that is here proposed could be said to be a continuation of the Marshall plan and the extent to which it is properly, and in the sense in which I have just been describing it, economic aid that is made necessary by and is in support of rearmament.

I am going to give you some figures on that and give you the best answer with it, or the best type of answer that I think can be given to the question.

Chairman RICHARDS. Just 1 minute, please. Mr. Bissell, I hate to interrupt your train of thought, but if you were going into the figure end of it, I thought that this would be a good place to do this.

I would like to say for the information of the committee that the widow of our beloved departed chairman will be sworn in here rather soon after the prayer. I want to go down, and maybe some of the other members would like to be on the floor at that time. If so, I think we should take a 15- or 20-minute recess. I would like to hear your opinion about that.

If you do not want to go down and you would prefer that I just go down, it will be all right. I would like to hear whatever you say about that. Some of the members will want to be there, and all of us would hate to miss Mr. Bissell's testimony, I am sure.

Mr. VOYSE. Mr. Chairman, very promptly on the floor this afternoon, important matters will come up. I think we should be there.

Chairman RICHARDS. I was going to mention that. There are certain features of the bill, or certain parts, in which the members are interested for one reason or another. I was going to ask the committee's wishes about that, and about postponing an afternoon session until the bill is completed. I think most of the members will want to be on the floor for that.

I do not want to interrupt these hearings for any purpose that is not worth while. What does the committee think about that? I thought it was a good place right when Mr. Bissell was going into his figures to raise those questions. Do the members think they should be on the floor this afternoon?

Mrs. BOLTON. Yes, sir.

Mr. JAVITS. We will be needed, Mr. Chairman.

Chairman RICHARDS. There is no contrary opinion to that?

(No response.)

Chairman RICHARDS. All right. This matter will be brought up right after Mrs. Kee is sworn in, I think we should have a recess right now until the business we are talking about is completed on the floor this afternoon.

Mr. Bissell, could you and the other witnesses be available around 2:30? I think we will finish it then.

Mr. BISSSELL. Yes, sir.

Chairman RICHARDS. If we are not through by then we wish you would wait around until we can return.

The committee will stand in recess until 2:30.

(Whereupon, at 12 noon the committee adjourned until 2:30 p.m. of the same day.)

(The scheduled afternoon meeting was canceled because of urgent business on the floor of the House.)

NIGHT SESSION

(The committee met in the House Foreign Affairs Committee room, the Capitol, at 7:30 p.m., Hon. James P. Richards (chairman) presiding.)

Chairman RICHARDS. The committee will come to order, please. We will continue hearings on the mutual-security program. The first witness we have tonight is Mr. Dudley B. Bonsal, of the Association of the Bar of the City of New York.

Mr. Bonsal, will you have a seat, please, sir?

**STATEMENT OF DUDLEY B. BONSAI, APPEARING ON BEHALF OF
THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK**

Mr. BONSAI. Mr. Chairman, thank you, sir.

Chairman RICHARDS. Mr. Bonsal, do you represent the Association of the Bar of the City of New York?

Mr. BONSAI. Yes, sir.

Chairman RICHARDS. Have you a prepared statement?

Mr. BONSAI. I have forwarded to the clerk the 35 copies of the report of our association, on American investments abroad which was approved by the association on March 13, 1951.

In addition to that I prepared very roughly a few remarks I would like to make, addressed to this report, if I may, and I would be glad to leave the draft with the clerk when I conclude.

Chairman RICHARDS. We have distributed the printed report to the members, and without objection the entire draft of your remarks will be included in the record and you will be able to testify in your own way as to any other statement you wish to make.

(The report of the Association of the Bar of the City of New York entitled, "Report on American Investments Abroad," is as follows:)

REPORT ON AMERICAN INVESTMENTS ABROAD

**Report of Committee on Foreign Law and Committee on International Law;
Association of the Bar of the City of New York**

INTRODUCTION

This report is the joint effort of the association's foreign law and international law committees. The primary responsibility of the foreign law committee has been to indicate the kind of legal protection which American enterprise seeks when it goes abroad and the legal impediments found abroad which have a restricting effect on the flow of American capital. The primary responsibility of the international law committee has been to suggest methods by which the Government of the United States can seek the gradual elimination of the more important restrictions on American investment and undertake other measures designed to encourage American enterprise in and the flow of American capital to foreign countries. Your committees are of the opinion that it is not in the province of the association to question or criticize the foreign economic policy of the United States as it has been laid down by the President and the Department of State. However, the association can serve a useful purpose in pointing out legal obstacles to the carrying out of our foreign economic policy and in suggesting methods by which that policy may be furthered.

It cannot be expected of course that all of the obstacles below enumerated on American investment abroad can be removed, for a long time to come. How-

ever, to the extent that these restrictions are removed or alleviated, it can be expected that American private enterprise can and will do a better job in increasing world production and developing sound economic relationships. The so-called point 4 program was designed not as a program to commence operating in an ideal world, but as a means of bringing about order and stability by increasing production in those parts of the world where development lags. The attainment of this objective requires the cooperation of private enterprise and we cannot wait until all outstanding legal issues are settled, nor until political conditions satisfactory to American investors obtain throughout the world. Finally, it must be recognized that social systems differ according to the capacities and traditions of peoples, and that American private enterprise must not expect to change these systems.

STATEMENT OF FOREIGN ECONOMIC POLICY AND PRINCIPLES GOVERNING INVESTMENTS ABROAD

The foreign economic policy of the United States encourages private investment of American capital abroad. This is dramatically emphasized by the point 4 program for assistance to underdeveloped countries. The protection of American investments abroad becomes consequently of ever-greater importance, not only to the investor concerned, but also to the success of the foreign economic policy of this country.

Principles governing such investments are—

1. Foreign enterprise should have the right to manage its business.
2. Foreign enterprise should receive treatment not less favorable than that accorded to local enterprise. Minimum standards of fair treatment should be observed.
3. Foreign enterprise should be assured of the withdrawal of earnings on capital investment within reasonable limits and of the convertibility of such withdrawal.
4. Foreign enterprise should be protected against expropriation except in the exercise of paramount public policy in which event any expropriation should be accompanied by adequate and prompt payment of compensation to be determined in fair and speedy proceedings.

IMPEDIMENTS TO AMERICAN INVESTMENTS ABROAD

There are a variety of measures of foreign governments which interfere with sound American investment. Their discriminatory and even confiscatory character is not always obvious. Sometimes legislation is unsatisfactory, but more often its application in practice becomes harmful to the interests of the foreign investor.

For any consideration of remedies through diplomatic protection by bilateral treaties, other agreements, or international agencies, it will be necessary to investigate the legal character and effects of possible obstacles to American investments abroad under foreign law or practice.

Impediments to American investments abroad may be found in the terms of the application of the following:

I. Right to engage in business in a foreign country:

(a) Direct prohibition against foreign investment in certain fields, e. g., in industries considered strategic, and in real property.

(b) Licensing of new enterprises:

(i) Direct licensing in countries where no new enterprise, whether domestic or foreign, will be allowed except with a license from the appropriate authorities; it is probable that such type of licensing will be of great importance in any Socialist state where "planning" is considered important, in order to forestall investment in uneconomic or "luxury" enterprises.

(ii) Indirect methods of licensing, such as the withholding of labor permits for the foreign personnel necessary to establish or maintain an enterprise, health requirements such as those sought to be applied in France against Coca-Cola, zoning and other requirements with respect to the location of industry, etc.

(c) Laws or regulations with respect to the establishment of branches by foreign corporations.

(d) Obtaining exit permits for foreign personnel. This, it is understood, has been quite a problem in Communist China, where, in effect, foreign personnel have been held as hostages.

II. Form of organization, ownership, and management of local corporations, in which foreigners have an equity interest:

(a) Requirements that a certain proportion of the directors and managers of the corporation be nationals of the foreign country.

(b) Requirements that a certain proportion of the stock of the corporation be owned by nationals of the country concerned; this type of restriction may be of considerable importance if there is a shortage of available capital for investment in the country, so that the participation of national interests is difficult to obtain.

(c) Limitation on the voting power of (foreign) majority stockholders.

III. Taxation:

(a) Tax laws where income of enterprises as a whole, including income earned outside of the country involved, is subjected to taxation by the country concerned.

(b) Problems in connection with the taxation of such corporations, i. e., existence of withholding taxes on dividends, etc.

(c) Effect of the internal tax structure of the country concerned on the enterprise ("more burdensome taxes").

IV. Control of foreign exchange:

(a) Limitations on remittance of earnings, under regulations of general application or those which are applicable only to specific industries, such as the English requirements with respect to the remittance of the profits of exhibition of American motion pictures (under which a portion of the earnings must be reinvested in the country).

(b) Restrictions upon imports necessary to the business of the foreign owned enterprise or upon payments therefor.

(c) Exchange controls affecting the right to withdraw in dollars or other foreign currency (convertibility) either the amount of the original investment or profits accrued thereon.

V. Labor:

(a) Labor and immigration regulations, e. g., requirements that a certain proportion of the employees be natives of the country involved, and extension of this requirement into the category of resident agents, traveling salesmen, and managerial personnel.

(b) Prejudicial labor union practices and laws with respect thereto; this may be important in cases where a large American company in a relatively undeveloped country is by far the largest employer, e. g., the United Fruit Co. in Guatemala, which it is understood, is the target of "general laws" applicable to all employers of more than a given number of employees; or the position of the American oil companies in Mexico prior to expropriation, when they were objects of unrealistic wage demands from their unionized employees, backed by the Government.

VI. Conduct of judicial and administrative proceedings:

Courts and administrative agencies prejudiced against the "rich foreign corporation."

VII. Subsidies and other discriminatory protection to national competitors.

(a) Subsidies to industries owned by nationals or other protection granted to national competitors of American or other foreign enterprises (export subsidies).

(b) Other governmental interference in current management of the enterprise, for example, the price control and rationing system, if any, which could be applied to put the foreign owned enterprise at a great competitive disadvantage, especially if imported materials are involved.

VIII. Laws and regulations relating to the recognition or protection of patents, trade-marks, copyrights, and other industrial property rights.

IX. Taking of property:

(a) Imposition of fines and retroactive taxes in order to reduce the effective proceeds that can be withdrawn in case of liquidation.

(b) Condemnation for a public use and other forms of "involuntary transfer" of assets.

(c) Appropriation of foreign assets by the governments concerned when subsidiaries of American companies registered under domestic law are considered "nationals" whose assets may be marshalled or vested.

(d) Nationalization of an industry on a nondiscriminatory basis, e. g., England and France.

(e) Confiscation on a discriminatory basis (this category may well be partially coextensive with category (d) above); the best example of such

proceeding being furnished by the satellite countries of Eastern Europe where proof of violations of criminal law is obtained through, for example, confessions of espionage, etc., in order to deny foreign investors the right to compensation.

(f) Effect of nationalization on debt claims owed to foreign investors, e. g., the recent Czechoslovak nationalization law which permits the Government to cancel the "economically unjustified debts" of a nationalized enterprise.

X. Inadequacy of compensation on nationalization or other taking:

(a) Is it sufficient that the foreign investor is given the same treatment as the native investor (minimum standard)?

(b) Is compensation adequate if given in long-term Government bonds or in long-term bonds of the nationalized industry, interest being dependent upon earnings?

(c) Is the procedure for determination of the amount of compensation and its valuation adequate?

(d) Is participation of representatives of the American investors in such proceedings assured, both on the domestic and international level (special arbitration)?

METHODS BY WHICH LEGAL OBSTACLES TO AMERICAN INVESTMENT ABROAD MAY BE REMOVED OR ALLEVIATED

Bearing in mind that conditions considered ideal by investors are not likely to be fully attained, nevertheless the following proposals would, in the opinion of your committees, facilitate American investment in foreign areas:

1. The negotiation of bilateral investment treaties, having as their purpose the elimination, where practicable, of the impediments above mentioned, and giving assurance that in the event of expropriation American enterprise will receive prompt, adequate and effective compensation and will have recourse to an appropriate international forum to enforce its rights thereto.

2. Recognition in our own tax laws that income from new investments under point 4 should be taxed in the country of investment rather than in the country from which the capital proceeds, and application of this principle to income earned abroad by American citizens for personal services rendered under point 4 while abroad, regardless of the length of the duration of the service. A supplementary proposal would be a more liberal depreciation allowance for American investment abroad predicated on the greater risks involved.

3. Expanded programs through the United Nations and Intergovernment programs in fields of health, sanitation, education and food supply, and other fields not adapted to private enterprise, designed to raise the standard of living in underdeveloped countries, as being one of the most effective ways to improve the investment climate.

4. The creation of a new international private financing facility designed for the purpose of stimulating foreign investment and assuring the private investor of currency convertibility.

Your committees present the following resolutions and move for their adoption:

Resolved, That the Association of the Bar of the City of New York, mindful of its responsibility to assist the Government in accomplishing the aims of its foreign economic policy, confident that the private-enterprise system provides the most practical known way of attaining the objectives of that policy, and believing that the encouragement of American investment abroad is an important means to world peace and stability and to insuring our own national security, approves the foregoing report; and further

Resolved, That the president of the association be requested to present the report and these resolutions to the Secretary of State.

Respectfully submitted.

Committee on foreign law: Dudley B. Ronsal (chairman), Dana Converse Backus, Theodore R. Black, Peter Borie, Otis B. Rosworth, Hobart L. Brinsmade, Elliott E. Cheatham, Charles W. Crawford, Martin Domke, Phaulor J. Eder, John Noble, Jr., Angelo Piero Sereni, Paul Smith, Jr., Otto C. Sommerich, Letitia A. Tedeschi-Sant'Agata, Robert F. Weissenstein.

Committee on international law: A. A. Berle, Jr. (chairman), Murray O. Bernays, Joseph L. Broderick, William Tucker Dean, Jr., Henry P. deVries, Thorold J. Deyrup, Samuel E. Gates, William E. Jackson, Dorothy Kenyon, W. Lawrence King, Jr., Parker McCollister, Paul V. McNutt, A. J. Gustin Priest, Seymour B. Quel, Louis Waldman, René A. Wormser.

FEBRUARY 14, 1951.

Mr. BONSAL. Thank you, Mr. Chairman.

First of all, I would like to express on behalf of the Association of the Bar of the City of New York our appreciation of being invited to appear before the committee.

While our association is not, of course, in a position to speak with regard to the military-aid features of the legislation before you, it is interested in that part which deals with economic aid, to which subject I will confine the few remarks which I have to make.

Our interest in the economic-aid program is not so much the amount involved, although as taxpayers we are deeply concerned that the program be carried out on the most economic basis possible. Our primary concern is the manner in which such economic cooperation with other countries is to be carried out.

We realize the need for the emergency program envisaged in the legislation before you, but urge that in the longer run the job can be done largely by private enterprise with a minimum of Government spending.

On March 18 last the association approved a report on American investments abroad, which was prepared by the association's committees on foreign law and on international law.

As the chairman has stated, copies of this report have been distributed to you.

This report deals with the role of private enterprise in foreign investment.

In our report you will find listed on page 128 a statement of principles which we feel should govern investment abroad. Thereafter we list a large number of impediments which private enterprise has found in making investments abroad, and which have acted as a deterrent, and in some cases made foreign investment impossible in some areas.

Then we suggest on page 131, under the heading, "Methods by which legal obstacles to American investment abroad may be removed or alleviated" four different ways by which we think this can be accomplished.

Of course, private enterprise does not expect that all of the obstacles to American investment abroad will be removed for a long time to come. However, we are convinced to the extent they are removed or alleviated American enterprise will be encouraged to increase its investments abroad in support of our Government's foreign economic policy, and in support of the struggle to raise the standard of living of underdeveloped countries to the point where they will join with us in the battle of freedom.

The methods which we propose are the following:

1. The negotiation of bilateral investment treaties, having as their purpose the elimination, where practicable, of the impediments above mentioned, and giving assurance that in the event of expropriation American enterprise will receive prompt, adequate and effective compensation and will have recourse to an appropriate international forum to enforce its rights thereto.

2. Recognition in our own tax laws that income from new investments under point 4 should be taxed in the country of investment rather than in the country from which the capital proceeds, and application of this principle to income earned abroad by American citizens for personal services rendered under point 4 while abroad, regardless of the length of the duration of the service. A supplementary proposal would be a more liberal depreciation allowance for American investment abroad predicated on the greater risks involved.

3. Expanded programs through the United Nations and intergovernment programs in fields of health, sanitation, education, and food supply, and other fields not adapted to private enterprise, designed to raise the standard of living in underdeveloped countries, as being one of the most effective ways to improve the investment climate.

Mr. Chairman, that is a form of investment that we in our association feel must be a Government investment, but it can do a great deal to improve the general picture by encouraging private enterprise to go abroad.

4. The creation of a new international private financing facility designed for the purpose of stimulating foreign investment and assuring the private investor of currency convertibility.

I happened to be in Germany last week and hitch-hiked a ride from Konigstein to Frankfurt. It happened that my driver came from South Carolina, Mr. Chairman.

Chairman RICHARDS. He was a good one, then.

Mr. BOXSAL. He was a good driver and a very nice fellow. He was a young lieutenant who had come to Germany in 1945 and stayed with the occupation more or less ever since.

He told me there was no question among our soldiers as to what they had been fighting for, or what they might have to fight for. Having seen at first hand what happens to a people who have sacrificed their freedom, there was not the slightest doubt in his mind or in theirs that our way of life was worth fighting for, whatever the sacrifice.

What did bother my friend in Germany—and he told me it bothered some of his friends—was the danger of losing at home the battle which we seek to win abroad. You gentlemen are trustees for all of us, to see that this does not happen.

It seems to our association that the greatest contribution to the preservation of our way of life will come about through sharing our own ideas, and our own freedom, including the freedom of initiative, with others. Here we hope that private enterprise will be allowed to play its proper part. There is no reason to believe that we can help our cause by building government-dominated economic systems abroad when we do not believe in doing so at home.

We recognize that Government spending for foreign economic aid is necessary during a period of years of great international stress, such as we are now going through. Also, that Government spending in small amounts on a cooperative basis with other countries may be advisable on a more or less permanent basis in limited fields of basic economy development not adapted to private enterprise, such as health and sanitation, and the other fields I have previously mentioned.

I would like, therefore, to express the hope of the association that in considering the important legislation before you you will give due regard to the role which private enterprise can and wants to play.

We urge that recognition of the importance of its role be continually stressed in all legislation dealing with economic aid.

Only in this way will the other countries understand, first, that we believe in private enterprise; secondly, that our Government aid is temporary and that their own economic well-being will be greatly enhanced if they give private enterprise a fair break.

One final comment, Mr. Chairman. In the bill, as I understand it, pending before the committee, there is no reference to the role of private enterprise at all. I think our association would feel very strongly that it is both practical and useful to continue to stress the role of private enterprise. It is too easy for the foreign countries to accept Government money—to get on the payroll. But in the long run I do not think it can do anything but spell disaster to us if they do.

Thank you, Mr. Chairman.

Chairman RICHARDS. Thank you very much, Mr. Bonsal, for that statement. You have brought out a point there that we have been thinking about for a long time in this committee, and have acted upon rather weakly on one or two occasions. Mr. Vorys here is a specialist on the guaranty business. He has been raising Cain about that a long time.

What do you think as to how far the guaranties should go to encourage private enterprise? Convertibility and what else?

Mr. BONSAI. I cannot speak for the Bar Association of the city of New York on that, Mr. Chairman. My own view is that a guarantee—if you have a guarantee at all it should be limited to convertibility. I think a guarantee that goes any further may encourage the wrong kind of a fellow to make the investment, or else it raises a temptation to people doing these things not on a normal job basis at all, but just because somebody else is going to bail them out.

I have personally never been awfully keen on guarantees except to insure convertibility, which is something completely beyond the control of the fellow making the investment.

Chairman RICHARDS. Thank you, sir.

Mr. Vorys.

Mr. VORYS. You have a very interesting and helpful statement, Mr. Bonsal. There are some of us who, if the choice was between a giveaway and guarantees, would prefer guarantees.

Mr. BONSAI. I would agree with that, Mr. Vorys.

Mr. VORYS. That would be in the ECA territory. But for the rest of the world, where the choice is between guarantees and ordinary business transactions, we preferred business transactions. Maybe we were not consistent, but our position in urging the use of guarantees in the European recovery program was that by that device even if the Government had to meet the guarantees, we ended up with the foreign currency, and it was ours.

Mr. BONSAI. Yes.

Mr. VORYS. Whereas under the grant system with counterpart the other country ended up with the currency and we had merely a veto power on how it should be used. I believe, though, you have paid your respects to the idea of whether we should plan for a permanent plan of aiding all these countries by grants.

Mr. BONSAI. Well, I think on that, Mr. Vorys, that there are certain basic economy fields where it does seem to me with my limited knowledge that it can be useful, providing it is cooperative and it is not a

Santa Claus arrangement on our part, and that they do their share.

I do know, for instance, that a number of the health and sanitation programs we have carried on have turned out very successfully. I think Brazil is a case in point, where we have started putting in the lion's share, and I think that now Brazil is putting in by far the lion's share, and the results have been very good. However, I do not think those things should be expensive, and I think they should be pretty limited.

Mr. VOYTS. I agree with you. Thank you, Mr. Chairman.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. Mr. Bonsal, I have no questions, but I am delighted that you are appearing before this committee and have given us the views of the Bar Association of the city of New York. I was especially pleased with your last statement, because what you say in effect is a good word for the point 4 program, which had its genesis in the very type of cooperative programs you mentioned in Latin America.

I think the record will bear this statement out, that not only in Brazil, but in the major portion of Latin-American countries wherein this program has been operating for the past 11 or 12 years anyway, that now a greater proportion of the expense is being borne by the so-called recipient countries of Latin America.

I have always felt that this facet of our foreign policy was perhaps the best one in the whole lot because it was cooperative. It was not a give-away, but it was something that was mutually beneficial to the participants.

Thank you very much, Mr. Bonsal, for a fine statement.

Mr. BONSAI. Thank you, Mr. Mansfield.

Chairman RICHARDS. Mr. Bonsal, I will now turn you over to the tender mercies of your kinswoman here. We think a lot of her, and that is a pretty good recommendation in itself.

Mr. BONSAI. We think a good deal of her too.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. It is good to see you.

In your fourth point you say,

The creation of a new international private financing facility designed for the purpose of stimulating foreign investment—

Could you give us just a little brief outline of what you mean by that and what you envisage?

Mr. BONSAI. Well, years ago there was talk of an Inter-American Bank which was to accomplish this. I think that was before the last war.

Mrs. BOLTON. By "Inter-American" you mean in the new hemisphere?

Mr. BONSAI. Yes. In the new hemisphere. It never bore fruit. We felt, and I think particularly Adolph Berle, who was Chairman of the International Law Committee, felt particularly strongly on this, that you provide a mechanism for foreign exchange through such a bank, which is something that could take the place of the guaranties, assuming that the bank function could operate and that they have a variety of currencies. At the same time the bank might be in a position to give credit to projects, particularly to projects where on a three-cornered trade relationship they could come out, whereas an individual might not come out.

We really never worked it out in detail, Mrs. Bolton. Perhaps we should have, but it was just the thinking in the back of our minds.

Mrs. BOLTON. Thank you very much.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. I have no questions, Mr. Chairman. Thank you.

Chairman RICHARDS. Mr. Judd.

Mr. JUDD. Mr. Bonsal, you said that you thought Government guaranties ought to go only to the extent of assuring convertibility, but are not the political uncertainties in these countries perhaps an even greater deterrent to the right kind of investments abroad? You would not favor providing guaranties for reimbursement in case of violence by mobs or riot, for example?

Mr. BONSAI. I think this, Dr. Judd: That American investments have been going on a long time. I think American businessmen by and large will take their chances on a good deal of political uncertainty. They have had it before. However, there is one thing they do want, and that is if their properties are expropriated or swiped by the foreign country, they want to be compensated, and I think they are entitled to be. They feel that very strongly.

That is why, as you noticed, we put in a point on that.

With that I think they will take a lot of chances on political instability, because the whole effect of this thing is to create more stability, and that is what they are trying to do.

Mr. JUDD. Of course, that has not been our experience. I think the major reason is that while businessmen have been willing to take these chances in the past, the situation they face now is not the situation they faced in previous years.

Mr. BONSAI. That is true.

Mr. JUDD. There were always the hazards of possible violence in an underdeveloped country, but now you have an organized worldwide conspiracy whose business day and night is to create these uncertain conditions. Thus you have the regular hazards which have always been there, and which are formidable, plus an organized diabolically clever and determined effort to make you fail.

We in this committee, when we wrote those guaranty provisions, thought we ought to get a tremendous response, but we found out differently and we have been disappointed.

I hope you are right, but since time just now is an urgent factor, I would rather err on the side of giving more assurance to investors of reimbursement from our country where you cannot get it from the other countries, even though authorizing that might encourage somewhat expropriation or lawlessness. But either we have got to do this by private means, or we are going to have to do it by Government means.

If we guarantee and have to pay, we are no worse off than if we had made the original investment with Government funds, and in some cases we may succeed. Therefore, I am inclined to go a bit further than your group is at the present time prepared to go.

Mr. BONSAI. I must say, Dr. Judd, in speaking of that I was speaking individually. I would not put the association of the bar on record on the subject of guaranties. It has been highly controversial, as you know. I am just speaking purely as an individual, and it might well be that my association would favor guaranties.

Mr. MANSFIELD. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. MANSFIELD. Is it not true there was a Mr. Liddell representing the American Bar Association, who came before this committee urgently recommending that we put that in the legislation on guaranties?

Mr. JUDD. Yes.

Mr. BONSAI. I think that is correct.

Mr. JUDD. Mr. Bonsai, are you familiar with the so-called point 4 legislation?

Mr. BONSAI. Yes.

Mr. JUDD. You recall that the bill when prepared by this committee and passed by the House had a very considerable section, partly in the declaration of policy and partly in the substantive sections, designed to encourage and put primary emphasis on private investment?

Mr. BONSAI. Yes; I do, sir.

Mr. JUDD. As the long-term solution.

Mr. BONSAI. Yes.

Mr. JUDD. Yet the bill that finally came from the other body had most of that stricken out, and what was left was mostly a Government operation.

Would you care to comment on which your group feels is the better approach?

Mr. BONSAI. That of your committee, sir, without any question. I think I feel, and we all do, that in taking the bill before you, which has nothing about private enterprise in it at all, that when read by the recipient country—the other country—they just think they are getting on the payroll. So I think in any of this legislation we ought to put up all the red flags you could possibly put up.

Mr. JUDD. Thank you very much. The Members of Congress get letters saying, "We insist you pass so-and-so without crippling or emasculating amendments." I judge you prefer this bill not to be crippled and emasculated?

Mr. BONSAI. That is right.

Mr. JUDD. Thank you.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. No questions, Mr. Chairman.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. No questions at this time, Mr. Chairman.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. No questions.

Chairman RICHARDS. If I have overlooked anybody, are there any other questions?

Mr. BURLESON. Mr. Chairman, if I may just ask Mr. Bonsai this question, I would appreciate it.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. I observe in your prepared statement you make reference to Egypt. Have you read the speech made by the Egyptian Ambassador recently—I believe, at one of our universities a couple of weeks ago?

Mr. BONSAI. I am sorry, but I did not say that.

Mr. MANSFIELD. Did you have the impression, Mr. Burleson, that Mr. Bonsai is testifying in place of Mr. Van Kirk?

Mr. BURLESON. Evidently I have the wrong statement before me—you are not testifying directly on the Middle East?

Mr. BONSAI. No, sir. I think maybe you are thinking of some of these other gentlemen. I did not say that.

Chairman RICHARDS. Thank you very much, Mr. Bonsai, and we will give very serious consideration to your recommendations.

Mr. BONSAI. Thank you, sir.

Chairman RICHARDS. The next witness is Mr. Clarence Pickett.

Mr. Pickett, will you have a seat, sir? Mr. Pickett, you represent what organization?

**STATEMENT OF CLARENCE PICKETT, APPEARING ON BEHALF
OF THE AMERICAN FRIENDS SERVICE COMMITTEE OF
PHILADELPHIA**

Mr. PICKETT. The American Friends Service Committee of Philadelphia. I am honorary secretary of that committee.

Chairman RICHARDS. Do you have a prepared statement?

Mr. PICKETT. I have not a prepared statement. No. I would like to make just a brief verbal statement, if I may.

Chairman RICHARDS. All right. Proceed in your own way.

Mr. PICKETT. The background of this statement arises out of the fact that toward the end of 1948 the United Nations asked our organization, along with the International Red Cross and the League of Red Cross Societies, to undertake the administration of relief for Arab refugees in the Middle East. I, being the administrative officer of that committee, went to the Middle East and assisted in the setting up of that operation, which we carried on for about a year and a half, until the United Nations set up its own administration and took over for the three of us who had carried it to that point.

I wanted to make a few observations, based on that. In the first place, I would like to impress deeply on this committee the attitude of the Arab world, as I saw it, at least, as one of hostility toward the United States. That hostility was felt even personally at the beginning of negotiations in Egypt, when we had to deal with the Egyptian Government because we were in what is now called the Gaza strip. That is the part that was taken and retained by the Egyptian Army.

That personal attitude wore off, but even to this day I expect you are conscious, as anyone is who goes into this part of the world, of the fact that because the State of Israel was recognized almost immediately on its being set up and decreed, that it made the Arab world feel that the United States was hostile to the Arab world. That was augmented, of course, by the fact that in this particular part of what used to be Palestine and now is a part of Egypt, there were 225,000 people who were away from home.

It depends on who is talking for a decision as to why they were away from home. If it is a Jew he would say that they ran away. If it is an Arab he would say that they were chased out. But, at any rate, they were away from home and were extremely unhappy. A good many of them lived on bare sand when I went there, having not even tents to live in. Some were within 10 miles of the little place where they and their families had lived for hundreds of years. The line between the Israeli and the Egyptian armies was only about 5 miles from the Mediterranean Sea. Some could stand at the edge of the town of Gaza and look across the valley at their own little land holdings, and,

of course, it made them feel bitter, unsettled, and insecure, and feel that the world was against them.

That is important, I think. No one can prove, or I at least am not in a position to prove, how much of the present political unrest is due to the unsettled conditions, that is, the continued unsettled conditions up to this time of the Arab refugees. However, you have had a series of assassinations, ending last week in the assassination of King Abdullah.

A part of the problem, I am sure, is the unrest in the Middle East, and no small part of it arises out of the long drawn out and unsatisfactory way in which these people have had to live.

I hasten to say that the United States has come to the rescue and has given, from our point of view, I suppose we would say, generous assistance. I do not mean to say by that that the Arabs have been very generously fed, because the amount of funds provided to the United Nations has not been sufficient to provide them with anything more than the barest means of living, but we have contributed in the past.

I want first of all to speak with a deep sense of conviction that I do not believe that anything could be worse or have a worse effect toward further upsetting the political and economic structure of the Middle East than that, relief should be stopped. If that were cut off one could hardly predict how much further the deterioration of relations between the Arab world and the Western World would go. So that purely from the point of view of our own relations with that very important part of the world, as well as our own sense of moral obligation, I have no hesitation in urging strongly the continuation of that relief.

In this bill there is a proposal that \$25,000,000 should be made available for that purpose.

In the neighborhood of Gaza there have been some small enterprises which have been continued and which gave some employment to the people. Other mission agencies have assisted as far as they could. However, over the 2½ years, or nearly 3 years now, relatively little, at least with these people in the Gaza strip, has been found for them to do. Consequently, they have greatly deteriorated.

This problem is not going to be solved only by giving relief. It cannot be solved without continuing relief, but there is the longer time relocation and resettlement and assimilation somewhere that has to be met. There is resistance to their returning to the State of Israel.

I myself feel there is very little likelihood that there will be very much return to their old homes, which lie within the boundaries of the State of Israel. I think there is an increasing acceptance by the Arab States and by the refugees themselves that that probably might as well be forgotten, and that they will therefore have to resettle within the boundaries of Arab States. They cannot resettle within the boundaries of any of these Arab States in any numbers without financial assistance.

Therefore, I am very glad to see that the bill includes a substantial amount of funds—probably about as much as can be digested within 1 year—for resettlement in projects within the boundaries, particularly of Syria and of Egypt, of considerable numbers of these families.

I would like to say a word about the character of the people. I think we saw them under about as much stress as anybody could be put under, with as great a sense of insecurity. They belong, most of

them, to the Mohammedan faith, and we were Christian. They are away from their settled place of abode. People sometimes think they are wandering nomads, with a camel and a goat. These people are far from wandering nomads. They are nothing like us wandering as most Americans are. Many families have lived in the same community for a thousand years, and they feel a deep sense of commitment and attachment to that piece of ground.

We had a few Bedouins, perhaps four or five thousand, but the rest were men and women of settled life, hard working, and very often had sent their children to the English-speaking schools in the Middle East. We had no difficulty finding plenty of interpreters in the younger generation, who had gone to these schools and whose highest ambition was to have a chance at a settled condition of life, where they can live on the basis of modern agriculture and, to some extent, of modern industry.

We make a mistake if we think they are a worthless lot. They are not. There are plenty of very badly embittered people. There are a great many, however, and as human beings, we have an obligation to see them through.

There is great hope in this group of people. They can be a great menace if they are not given a chance at permanency of settlement. They can be a great asset in helping to reestablish the security of the Middle East and the sense of confidence between the West and the Middle East if there is a chance given them to settle on the land.

I should think that is the primary basis. There are some other things that, of course, they can do. There is a series of projects that are available and can be started, with the amount of money that is in this proposed appropriation.

I would just like to say one more thing, which may or may not seem relevant, but it does seem to me very important, that as much stability as possible be brought to that part of the world.

We watched, for instance, the Jewish settlement in Iraq, which was a stable settlement, important to the country of Iraq, but with the general unsettled conditions in the Middle East and the general rising tide of a sense of insecurity over the last 2 years, Jews who 2½ years ago said very freely, and their rabbis also said to our own investigating committee, that, "We have no feeling we need to leave," have finally left and have gone into the State of Israel, and are continuing to overcrowd that little country.

There is great fear that will continue in other states of the Middle East, and particularly Iran, if there is not brought to them, as far as it can be brought by the United Nations, with the assistance of the United States, a greater sense of stability and security. From my point of view it would be very much better if we could maintain that sense of security even with the Jewish community where it is than to have further uprootings. The Jews, it seems to me, have had enough uprootings in Europe and other parts of the world.

If we could help to bring a sense of stability to that part of the world and prevent further uprootings of people I think it would be a great asset.

Just one final comment, and by way of commendation not necessarily of this committee or of the Congress, but it has seemed to me a matter of very great importance that the Technical Assistance Administration has seen fit to supplement the budget of the American University at Beirut and thereby provide for young people of that

great area to have technical training, and to become themselves the technical assistants that their communities need. I hope that ways will be found to continue to use those educational facilities of the Middle East.

Obviously, one of the great problems is the insecurity of most of the governments of that part of the world is the tendency to barter and haggle and try to get the best of anybody who comes in with some money in his pocket. We had that all the time. The only way I see to combat that in the long run is to support those educational institutions, which are not only bringing technical competence to young people, but also a sense of integrity of dealing, which is the basis which will have to be built up before this problem is ever finally settled.

I think, Mr. Chairman, that is all I have to say. If there are any questions, I would be glad to try to answer them.

Chairman RICHARDS. Thank you very much, Mr. Pickett. Are there any questions from members of the committee?

Mr. VORYS. Yes, Mr. Chairman.

Mr. Pickett, you told about these refugees and you said you heard two stories as to why they left Israel.

Mr. PICKETT. Yes.

Mr. VORYS. You were on the ground. Why do you think they left?

Mr. PICKETT. The fact is, both are right. There is no doubt that there were massacres of Arabs by the Jews. There were massacres of Jews by the Arabs, and both tended to scare both groups. Then there was the onrush of an army and the civilian men and women with little children running ahead of the army. Now, are they running away or driven out? It depends on who is telling the story as to which is true.

Mr. VORYS. What army were they running ahead of?

Mr. PICKETT. The Israeli Army was, of course, the one that was successful. The Arab Army was retreating before them. But they retreated before both armies. Most of the people I dealt with in the Gaza strip ran across maybe not more than 10 or 15 miles toward the Mediterranean to get away from the battle that was going on. Both armies were shooting at each other, and it was in self-protection that they ran.

Then it has to be said that there was a radio station operating at Rasmallah, which shouted very loudly, "Get out. Get out. Leave and you won't be destroyed. We will all come back and kill every Jew." That is what I mean by whose story is right.

They ran away. Of course they ran away. But they also were driven out. Both stories have a basis of truth.

Mr. VORYS. But why have they not returned to their homes?

Mr. PICKETT. They cannot return. They are outside of Israel and Israel will not let them return. There has been a suggestion, of course, of some repatriation, but there has not been worked out anything except that I suppose maybe 10,000 or 15,000 have returned out of a total of about 800,000.

Mr. VORYS. Whether they ran away or were chased, the reason they cannot go home is that the Israeli Government prevents their going home?

Mr. PICKETT. And has occupied their homes. Yes. There is heavy immigration coming in.

Mr. VORYS. I understand there was a United Nations resolution for Israel to compensate those who had left. Has that been executed?

Mr. PICKETT. I have not seen anything about compensation taking place. I do think that is very important. These people left and have had no compensation. There is a tentative agreement by Israel to compensate. The thing has become more complicated as time has gone on since in the meantime, for instance, nearly 100,000 Jews have left Iraq in the last year and a half, leaving behind their property, which Arabs have taken over. Therefore, the Jews now begin to say, "Oh, yes; but we must also take that factor into consideration."

Mr. VORYS. Has the United Nations acted on that?

Mr. PICKETT. They have not acted on it, so far as I know. I think there has been no action. It does seem to me, however, and I should be very glad to see some strong emphasis put on it, if this committee had a way of doing it, that there should be a settling of the question of property, even if they only get a modest percentage of the value of what they have left behind.

I talked to a man in Jaffa who had a dry goods store with \$100,000 of stock. Here he was living like any other refugee. He has no idea whether he will ever get a penny for that. Now, that ought to be settled. It is a source of irritation that continues, and I would like to see any emphasis put on the settlement of that claim, even if it is a very modest settlement that is worked out.

Mr. VORYS. Thank you very much.

Chairman RICHARDS. Are there any other questions?

Mr. BURLINSON. Mr. Chairman.

Chairman RICHARDS. Mr. Burlinson.

Mr. BURLINSON. I will direct the question to Mr. Pickett which I raised a little while ago with the other witness, because I was confused at that time. The question related to the speech which the Ambassador from Egypt made at Princeton a short time ago with reference to the American policy in the Near and Middle East. Are you familiar with that statement?

Mr. PICKETT. I did read the speech. Yes, sir.

Mr. BURLINSON. Would you care to comment on that?

Mr. PICKETT. I think you got there a pretty good representation of the feeling of the Arab. For our purposes Egypt is classified as a part of the Arab world, although you find a good many Egyptians do not want to be classified as Arabs. I guess they feel they are a little higher order of being. I think he represented pretty accurately the feeling.

Mr. BURLINSON. He severely criticized the policy of this country over the last several years in recognizing the State of Israel to the disadvantage, to say the least, of the Arab world, as well as the policy that we have been pursuing over the years to build up the sentiment of the Arab people.

I am wondering if you agree with that as to the policy of this country? I might add that he says in regard to the colonial policy of the Western World that no monetary aid to the Arab world is going to cure this situation at all; that only by giving them their independence and freedom from colonial rule will you be able to cure it.

Do you agree with that?

Mr. PICKETT. I certainly agree that that is the feeling of the Arab world. You have got a very bitter antagonist. The Jew had a very tough time, as our organization certainly has ample reason to know, in Germany. We have every sympathy with their terrible difficulties as refugees being driven out of their homes and leaving their property behind them. What is difficult to see is the same thing happening now in the State of Israel and the Arab feels that the Jew has tended to do to him what Germany did to them.

Now, whether rightly or wrongly—and perhaps quite wrongly—we get the brunt of the criticism for that because we recognized the State of Israel so very promptly after it was set up. As I say, I do not see any possibility for complete justice being done to everybody in this case. It is such a mixed situation. However, every step toward some kind of security of life is the form I think in which justice should be approached.

If an Arab in the State of Jordan, which is not a very large state, can find a little farm on which he can build to build security for himself again, that is the form in which security will come. I think, and not relighting the Israeli-Arab battle of 2½ years ago, as some Arabs are inclined to do. We cannot settle that whole score, but we can make a contribution to this reintegration into the Arab States.

I would like to repeat that I know how difficult it is, and how insecure these governments are, and it is a 4- or 6-year program at the least, with this as the first major step in that direction. However, I think it is basic to any kind of a settled Middle East.

Mr. BURLESON. Thank you.

Mr. JUDD. Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. How much did your organization, that is, you and associated groups, spend per year for that group of Arabs?

Mr. PICKETT. We spent about \$2 per month per person.

Mr. JUDD. That is \$24 a year for 225,000, you said?

Mr. PICKETT. Yes. 210,000, I would say. 225,000 I think is a little high. As I remember it, it was something like \$4,000,000 a year.

Mr. JUDD. This suggested bill provides \$25,000,000.

Mr. PICKETT. Yes.

Mr. JUDD. Is that just for those 200,000 Arabs?

Mr. PICKETT. No.

Mr. JUDD. That includes a lot of others besides?

Mr. PICKETT. Yes. You see, there were three agencies, and we were only one of them. We had a little less than a third of the burden to carry. There were about 800,000, and we had a little over 200,000 of them. The International Red Cross and the League of Red Cross Societies had rather more.

That \$25,000,000 lasted a little over a year. I suppose with the increase in prices I would not expect the \$25,000,000 would last much more than a year now.

Mr. JUDD. You said there was resistance to resettlement. Was it primarily resistance by the refugees to returning, or by Israel to letting them in?

Mr. PICKETT. Both. You cannot make any other statement that is characteristic of all.

Mr. JUDD. I was trying to clarify what you said.

Mr. PICKETT. They would come to us and say, "Should we go back into Israel if we got the opportunity?" I talked to one very distinguished person, a Moslem, who said, "Don't let a one of them go back." Azzam Pasha, who was secretary of the Arab League, said, "Unless a half million go back there will be a war and we will kill every Jew."

You get all sorts of comments from one end of the scale to the other. I think a great many now have come to the conclusion that they do not want to go back to Israel. They cannot go to the particular spot they lived in. Somebody else has it. Therefore, they had better settle outside.

Mr. JUDD. How long is it since this operation was turned over to the United Nations Organization?

Mr. PICKETT. Just a year.

Mr. JUDD. Do you have any comment as to whether they are doing as well, or not as well, or better than your folks did?

Mr. PICKETT. Dr. Judd, you have probably done this thing yourself, so you know that people deteriorate under this kind of treatment. I know they have got a very tough job. We had some riots, and I think they have had more riots. It was a hard job, but I think they have done a good job in an almost impossible situation.

The resettlement end of it has been a disappointment to many of us who are concerned. They have not gone as far as we had hoped they could. However, that takes a long time, and they have made a beginning in a few places.

Mr. JUDD. What I am after is this: I know you have had vast experience in this field and there is no organization which has had greater success than has the American Friends Service Committee. There are always the two points of view. One says that in any such operation almost the main thing is the human attitude of workers; and that an organization of volunteers such as yours, can, and usually does do, a better job than can or will a Government agency, whereas frequently people sent out by the Government take it as just another job. Even more questions can be raised about the United Nations than about our own Government agencies, because it is a more polyglot organization, with all kinds of standards, backgrounds, and attitudes represented.

The other view is that only Governments have the power and resources to carry on such operations adequately at some length. I am asking you for your honest opinion, for the guidance of the committee, as to whether in the organization of operations in the future we should do the job ourselves, or as far as possible help private agencies do it, or turn our money over to the United Nations to do it as an international agency?

Mr. PICKETT. I have no doubt about the dedicated volunteer. When he does not have such a big job that is beyond his capacity he will do a better job, I think. I think that is almost always true.

However, when it comes to a great volume of people to handle, you can bite off more than you can chew. I think we did a fairly good job in Gaza, but I was dissatisfied, and all of us were, because we believed that a far better job ought to have been done if we had more people and more facilities. We tried to save all the money we could, and we had to, in order to get by.

I do not want to seem critical of those who took over for the United Nations because they had a very, very difficult, and an almost impossible job. But my confidence still continues in the small voluntary agency to handle as far as they can within their capacity these jobs. I think you do get a personal contact and an identification with the misfortunes of the people you are working with that is very rare in big Government operations.

Mr. JUDD. But you do not care to comment on the probable effectiveness of an agency of the UN, as against, for example, that of one nation? Some Members of Congress say we ought to put up the \$25,000,000 and handle it ourselves as an American operation. Then we take the responsibility for success or failure, rather than turn it over to an international organization, where we have 1 vote out of 60. What is your answer to that?

Mr. PICKETT. I would like to use the parallel of UNRRA. Most people think it was a failure. I recognize it had many failures, but I saw it pretty closely and knowing all the complications, I think UNRRA was a pretty good job.

I could tell you a dozen things I think were wrong with it, but the size of the operation never could have been carried on by all of us put together as volunteer agencies. We could not have collected the money.

I think I would say we ought to look forward to developing the thing on an international basis and recognize we are in the preliminary stages.

If you began just today and were going to operate on an emergency basis for just 1 year, or 2 years, we would probably be able to handle it bilaterally better. But I think other countries have a great deal to contribute. Even in our own staff we find it an advantage to use people from other countries.

In Palestine we used French, English, Swedes, and Swiss, all to our advantage.

I will say this: There is nothing we did that was more inclined to enable us to succeed in our relations with the Egyptians and the Arabs than the fact that the leader of our medical service was a New York Negro doctor. We make a mistake if we neglect the use of Negroes in the staffs of foreign operations.

It all adds up, Dr. Judd, I think, to saying that we ought in the long run to learn how to operate an experiment and expect other people to participate with us and do it successfully, recognizing that we are still in the preliminary stages of that development.

Mr. JUDD. Thank you very much.

Chairman RICHARDS. Mr. Battle.

Mr. BATTLE. I want to ask one question of Mr. Pickett, please.

The State Department has given us some figures here: They have requested \$23,500,000 for the various Arab States, and likewise they have requested \$23,500,000 for the Israelis. In your judgment do you think that would be a fair ratio of the funds according to the needs of the peoples in those areas?

Mr. PICKETT. I do not believe I have a judgment on that. It seems unbalanced, on the face of it, does it not? I mean, populationwise. Because the Arab States have so many more population than the State of Israel.

Mr. BATTLE. You have first-hand experience and a much broader knowledge of the area than we do, or at least than I do. Therefore, I would like to have your views on the relative needs and the total proposed expenditures.

Mr. PICKETT. I have those figures, and I expect they are the ones you referred to here. In addition, that does not take into account, as I understand, the \$50,000,000 which would be added to it in the Arab States for resettlement of Arab refugees and relief for Arab refugees. Actually, you would have \$73,500,000 going into the Arab States, although \$50,000,000 of that goes for relief and the resettlement of the Arabs.

Mr. BATTLE. In addition to this we have a bill before us and we have had testimony in this committee to the effect that Israeli needs \$150,000,000 instead of the \$23,500,000.

Mr. PICKETT. Yes. Well, you refer to this statement. I have a copy of this, which is a public document, as I understand it, and I read it this afternoon.

Now that is predicated on a very large influx, a further influx, into Israel of refugees from other states, as I understand it.

You may not have understood what I said, but it seems to me very important that we should do everything we can to prevent, for instance, a growth of the feeling of insecurity of the Jews in Iran causing them to leave. I myself have felt very sorry that the Jews in Iraq have felt they had to leave.

Two and a half years ago when we made a study there, their own people did not feel they had to leave. Now there has grown up such a sense of insecurity they had to leave. I have felt there should be every form of stability for keeping people where they are, rather than anticipating immigration that may happen if we do not put the emphasis on security.

Mr. BATTLE. Are there problems in the Arab States that would likewise require additional funds in case they were available, where the needs would be just as great so far as future planning is concerned?

Mr. PICKETT. I think that probably will develop, although here I speak with great hesitation because I am not sure enough of my facts. But you cannot spend money too fast in new projects in these countries that are rather unstable. Take Syria, for instance, which seems to be the most likely place for resettlement of large numbers of refugees. Nevertheless you change prime ministers, sometimes by assassination—frequently by assassination—every few months. It is pretty unstable.

Now that is a great misfortune because Syria would profit by receiving and helping to resettle these people. But whoever administers that fund has a difficult undertaking, and I would not advise him to rush in with large amounts of money and spend money too fast there. He will have to move slowly and carry the Syrian Government and people along with him.

So it might take more than 5 years to do the resettling, just because of the frailty of the Government institutions. If you spend money too fast graft will get the upper hand, and the people who ought to be served will not get it.

Mr. BATTLE. How dense is population now in the Israeli area? Is it crowded? Can they absorb many more refugees?

Mr. PICKETT. I suppose that is a question of how much they industrialize. I am not really able to speak with accuracy on that. I was

there a few years ago, and they were having real trouble, of course, getting people out of the camps they first go into and then resettle.

But they have established some industries since. There is no doubt about its being a magnificent job of development, but I think it is dangerous, the danger being that they overpopulate.

Mr. BATTLE. So far as the immediate problems are concerned, would you say that this \$150,000,000 proposed for Israeli, as compared to the amount proposed by the State Department, that goes to the Arab States, would be high or low, or a fair proportion?

Mr. PICKETT. From my point of view it seems high. Not the amount of money so much, but as I understand that document, if I read it properly, their case was based on the expectation of greatly increased immigration coming into Israel from the outside.

Now I hesitate very much to see us almost stimulate uprooting people from other parts of the world by an appropriation. I may be wrong on that. This business which is so characteristic of our day, millions of people being uprooted, is so terribly devastating to stability and respect for people that I just hate to see anything done that is predicated on its continuance.

Chairman RICHARDS. Mr. Herter?

Mr. HERTER. The House this afternoon passed an amendment to the State Department appropriation bill for international organizations, limiting the United States contribution to any international organization to one-third of the total cost.

How would an amendment of that kind affect the operation of this particular refugee organization in the resettlement business? I suppose we must be carrying 90 percent of the cost.

Mr. PICKETT. Yes; very disastrous, I should think.

Mr. HERTER. There you run into the difficulties from the point of view of setting up an international organization and end up carrying the whole burden. We are running into the same problem in the Korean rehabilitation.

I was wondering how you feel about that. Should we still develop those international organizations and pay up to 90 percent of the whole cost?

Mr. PICKETT. I recognize that as a very businesslike problem, Mr. Herter. It is not healthy. But I am pretty sure that the future is with international cooperative agencies of this sort, and I would rather put the emphasis on doing everything we possibly can to help get other countries to participate.

Chairman RICHARDS. Mr. Carnahan?

Mr. CARNAHAN. Is the boundary line between Israel and the surrounding Arab States pretty well fixed now?

Mr. PICKETT. Well, from a practical point of view, it is very well fixed. It is guarded, and there is very little passing back and forth. As to its being settled permanently by the United Nations, I do not think it is yet.

Mr. CARNAHAN. And the entire boundary line is patrolled and guarded?

Mr. PICKETT. It was 2 years ago. I do not think it is quite so fully patrolled now, but there is no traffic back and forth without a lot of red tape, and no commercial movement back and forth except with the greatest of difficulty.

Mr. CARNAHAN. Did you find the feeling in the surrounding Arab States that perhaps there might be a tendency on the part of new country of Israel to expand further?

Mr. PICKETT. Oh, the Arabs feel that there is no doubt about that.

Chairman RICHARDS. Mr. Herter?

Mr. HERTER. Do you mean they fear that?

Mr. PICKETT. Yes.

Chairman RICHARDS. Go ahead, Mr. Carnahan.

Mr. CARNAHAN. Which of the Arab countries is carrying the heaviest load in taking care of the Arab refugees?

Mr. PICKETT. Do you mean the percentage?

Mr. CARNAHAN. Which one has the greatest problem, Jordan?

Mr. PICKETT. I suppose that Jordan probably has the largest population now. Lebanon, a relatively poor state, has a good deal to carry. I really feel that the Arab States, in view of their ability, have done pretty well.

Mr. CARNAHAN. Do you feel that the problem can, over a period of years, be satisfactorily solved, or partially at least?

Mr. PICKETT. Well, yes. It will never be perfectly solved. There will be bitterness. If there is an intelligent and concerted effort, in the sense of a 5-year or 6-year or 7-year plan, it might be successful.

I might say, in commenting further, Dr. Judd, on your question, I think the private agencies are willing to, and are going to, participate in the problem of resettlement. Now we are planning a project in Jordan, not that we think it will amount to very much in volume, but we do think it will mean something in terms of what can be done by intensive work.

Chairman RICHARDS. Mr. Judd?

Mr. JUDD. Is that not always the case, where the primary job is to establish demonstrations or pilot plants till they develop a sense that "this can be done"?

Mr. PICKETT. Yes. It is a voluntary effort.

Chairman RICHARDS. Can we move along?

Mr. FULTON?

Mr. FULTON. The question as to refugees of course is in respect to people who must move, and thereby become refugees. The conditions under which they are living become intolerable, and then they voluntarily leave all their possessions, take to the road, and try for a place where they will be acceptable. It takes terrible conditions to force that, so refugees have little so-called choice.

Mr. PICKETT. Yes.

Mr. FULTON. Under those circumstances, you have no objection to persons being refugees, do you?

Mr. PICKETT. I think probably I would become a refugee myself under those circumstances.

Mr. FULTON. That is correct. Then behind the iron curtain there are many countries—and I have visited several of them—where certain minority groups are getting the least in the economy and the economy is almost on a starvation basis.

Mr. PICKETT. Yes.

Mr. FULTON. So you would have no objection to those persons seeking freedom, freedom of religion, would you?

Mr. PICKETT. No.

Mr. FULTON. If that be the case, we could look ahead for refugees from behind the iron curtain, and also for refugees from certain countries where they are minorities, and because of the Arab-Israeli dispute there has been friction and instability created. We can look ahead to that?

Mr. PICKETT. I am afraid so.

Mr. FULTON. And we can look ahead to a refugee problem without stimulating it, or without encouraging it.

Would you say that in Israel the conditions are stable, and that there is relative adjustment as between the Arabs who have stayed and the Israeli Government?

Mr. PICKETT. Well, there certainly is more stability than for those who have gone out. The problem the Israeli State has in relation to the Arabs who have remained inside the country is that of their being a minority, and a minority psychology is developing. This I get from those people themselves—people and government. And at their request the committee has undertaken one of these pilot experiments in taking over a group of villages in the area of Nazareth, where they are all Arabs, and all farmers as in Jesus' time, now using a Caterpillar tractor and modern certified seed, and all the modern devices for production and distribution.

Mr. FULTON. So then there is the necessity for aid in Israel on a charitable and humanitarian basis both for Arab and Jew. Likewise there is a necessity for aid on that same basis in the surrounding states for populations who are submerged by the ruling classes, and also for the refugees in those states which are not yet assimilated; is that not correct?

Mr. PICKETT. Yes.

Mr. FULTON. We in America then have the duty of the defense of this country. We must necessarily be interested in the Near East primarily from the view of our defense and our relations to friendly nations. Therefore, if it will help stabilize by meeting the problem of refugees, either current in the present tense or in the future as they arise, do you not think it would be wise for us around this table to help stabilize the area to meet the problem squarely and to assist regardless of whether they are Jew or Arab?

Mr. PICKETT. I agree.

Mr. FULTON. Then, if you agree in our approach to this legislation, we would have to look to see the country as to the problem each country has. That cannot be reduced to the simple equation of multiplication or addition upon a population basis; can it?

Mr. PICKETT. No, sir.

Mr. FULTON. If we go that far, the question then is: If there is in the program \$50,000,000 for relief purposes for refugees in Arab areas, I believe I would approve consideration of that. But I would nevertheless say to Israel, not on an equating basis, but I would say to them, "What do you look forward to as to your refugee problem that may come up in the future?" Would you not do that?

Mr. PICKETT. Yes. What I tried to say was that in addition to the obvious persons now waiting here and there in camps to go into Israel, I am anxious not to see the unsettling of settled Jewish communities in any part of the Arab States. They are getting along now, and I would do everything I could to discourage their leaving.

Mr. FULTON. Members of this committee have been through these refugee camps from Poland to Italy, for all one summer, looking at the refugee problem. We do not believe refugee problems are encouraged by appropriations here. These people never hear of it, before they become refugees. They move first to get away from their difficulties and starvation and lack of liberties and freedom and knowledge. Then when we see them afloat with no possessions, Friends Service, Catholic, Protestant, and other church people and nations such as ourselves, must be ready to receive them.

Mr. PICKETT. I agree.

Mr. FULTON. Then do you not think that rather than cut off the refugee question in the future, we should be ready here in the next fiscal year to look the refugee problem in the face in the Near East and say we are going to meet it?

Mr. PICKETT. I agree. I may be wrong in my analysis of this statement of the Israeli Government, but it seems to me it went further than I would like to see it go in anticipating that there will be migrations that now are not appearing above the horizons. And my only statement is to express the desirability of using every means you can to prevent the necessity for further migrations arising.

Mr. FULTON. Do you know of the statement of the Israeli Government before the United Nations that they will now adopt a policy of recompensing the Arab refugees for any property abandoned or left behind in Israel?

Mr. PICKETT. Yes, I know of that statement. That was made about 2 years ago, and I cannot understand why that cannot be implemented.

Mr. FULTON. So that the Israeli Government then is adopting a policy as to refugees which, under the circumstances—and they are exceedingly rigorous circumstances—is in line with what we would call good international law.

The Israeli Government, as you know, has stood up militarily against all the surrounding states, have they not, and successfully met any opposition?

Mr. PICKETT. Yes.

Mr. FULTON. So that if we are legislating for defense purposes on a military basis, which is the mutual defense assistance bill, we then look not only to the numerical populations but we also look to the aid they will be to us in the Near East, do we not?

Mr. PICKETT. Yes, of course. From my point of view, I think the proper and practical thing is to never let it come to the point of making soldiers out of them. If we neglect this it will come to that. I think that it is possible to forestall that stage of revolution.

Mr. FULTON. Now you know that when we passed the aid bill for Greece and Turkey, certain Arab States raised great objection to the aid?

Mr. PICKETT. Yes.

Mr. FULTON. Because they were left out.

Mr. PICKETT. Yes.

Mr. FULTON. In spite of that objection, we gave the aid to Greece and Turkey on a defense basis for this country.

Do you believe that in that instance it was wise to overrule the objection of the Arab States?

Mr. PICKETT. Well, I am not sure I get your question there.

Mr. FULTON. We gave aid to Greece and Turkey. The Arab States objected. We nevertheless gave the aid. Do you now believe that it was wise to overrule the objections of the Arab States, and nevertheless for the United States to give the aid to Greece and Turkey for its own defense?

Mr. PICKETT. I think you are asking me questions which I am not competent to answer. I do not remember that incident of their refusing. Was that before they were refugees?

Mr. FULTON. The objections of the Arab States to the aid to Greece and Turkey.

Mr. PICKETT. Well, I do not know enough about that to give an opinion.

Mr. JUDD. Was not their objection to our not giving them aid, rather than to giving Greece and Turkey aid?

Mr. FULTON. The reverse too.

Do you favor the aid to Greece and Turkey which has been given?

Mr. PICKETT. In the light of history, I am not quite sure what I would say about that. I have no doubt that aid was very essential for many people in Greece and Turkey. But if you are referring to defending ourselves by containing communism in that way, I have real hesitation in my mind about the long-range success of that policy.

Mr. FULTON. The only basis on which we can use the taxpayers' money, as you know, is for the prime interest and defense of the United States of America, not in casting bread upon the waters. So would you then object solely on a defense basis to this whole bill, the Mutual Defense Assistance Program, as a method of containing communism—I almost said Congressmen.

Mr. PICKETT. I must say I am sorry it is cast in the framework of defense, because I think the best defense is to do the thing that ought to be done and not just think all the time: Will this or will this not defend our country? I realize we have to spend money in the interest of our own country, but I am not sure that a narrow conception of defense is the best conception of defense.

Mr. FULTON. Do you object to a military aid program of the United States Government supplying arms to its allies abroad?

Mr. PICKETT. Yes, I would rather they did not.

Mr. FULTON. So that actually the basis upon which you are testifying here, both as to the whole program and to Israel, is solely on a humanitarian basis, a charity basis?

Mr. PICKETT. I do not think that is the necessary alternative. Humanitarian, yes. But also the very wisest thing in the world we can do.

I think if we do not give to these things that are basically humanitarian in nature, then the necessity of using arms is much greater. So it is hard to separate them as you have separated them, it seems to me.

Mr. FULTON. Well, you are the most peaceful revolutionary I have yet met.

Mr. PICKETT. Well, I do not pretend that I can solve all the problems of the world.

Chairman RICHARDS. Mrs. Bolton?

Mrs. BOLTON. I am deeply interested and troubled as well by the statement you made that the Arab world is so very antagonistic to the United States.

Have you any sense that we can win back the friendship we have lost and how? For we had the heartfelt friendship of all the Arab world.

Is it too late to bring back at least a partial amount which would give us more security in the whole world?

Mr. PICKETT. No, I do not think it is too late. I think it is a long process, and the prejudices are deep enough with some of the older people so that they probably will never be removed.

But I do think that a slow, gradual program of sustaining the best institutions of the East—and I would say Musa Alami at Beirut is a striking illustration—that is one of the things highly respected and is a standing illustration, and I hope that Monsignor McMahon will mention some of the things that the Catholic institutions have been able to do in the Middle East.

Now those are all very important, and I am glad that the institutions of Beirut are willing to accept Government money—some of us are a little chary at times accepting American Government money, afraid it will bind our freedom.

Then certainly this relief bill, and even more beyond relief, if we are able to resettle, that will have a great deal of effect.

Mrs. BOLTON. What they need, perhaps, is the rebirth of hope, is it not?

Mr. PICKETT. Yes. It is very hard to maintain hope when you have nearly a million people wandering around in your midst, not only the refugee but the other population who tend to feel the world has forgotten them.

Mrs. BOLTON. May I ask you this very pointed question? For my time is going rapidly: In your area near Gaza, you had a good deal of difficulty, did you not, with adequate schooling for the children?

Mr. PICKETT. Yes, we had a great deal of difficulty. I am not sure of the statistics now because we have been away for a little over a year, but we had 16,000 children in school. The population was interesting. We had nearly 60 percent of the population of school age—16 is school age—from there on down. And that was a very important thing.

We had about 16,000 of them in schools. I think it has gone higher than that since that time. And that is, of course, a very important item.

Mrs. BOLTON. And you were bringing out at one point the fact that some of these people who are out there on the desert, in the sands, are highly cultured, intelligent people.

Mr. PICKETT. Yes. Former judges of courts, businessmen, teachers, Government administrators.

Mrs. BOLTON. Have you been able to get across to the people of this country any of those facts? It seems so difficult to get any knowledge across to our people.

Mr. PICKETT. To some extent, but not anything adequate. I think the problem of the Arab, of the Middle East, is not very well understood by most Americans. I have found resistance to it to be largely based on ignorance. I certainly was ignorant about it.

Mrs. BOLTON. Yes; it is so much a matter of ignorance. After all, understanding is the first step.

Mr. PICKETT. Yes; understanding is the first step.

Chairman RICHARDS. Mr. Javits?

Mr. JAVITS. I have a question I would like to ask Mr. Pickett.

Mr. Pickett, first let me say—I will make this very brief—that your organization is well known in many areas of the world as doing a fine job. Second, let me say that I am devoted to the cause of Arab-Israeli peace, and also that I believe Israel's future lies in the context of the Near East, and that the security and prosperity of that area will determine her success.

I do feel though that in one or two instances the facts ought to be straightened out in the record, and I am sure we could get them straight just in a very few minutes.

You said you did not want to see people uprooted from other parts of the world. I would like to ask whether you are aware of the fact that the migrations into Israel and the migrations which are forecast and to help with which we are asked to appropriate money come from not uprooting people but from giving them sanctuary. Yemen, for example, ordered the Jews out, and confiscated all their property. They had to be taken out or perish.

Now much the same was true in Iraq, where evacuation of Jews has just about been completed. Their property was in effect confiscated. They were committed, essentially, to Nuremberg laws—they could not have jobs—life was just about unbearable.

In Iran, in effect, Jews have to get out. There have been riots against Jews in North Africa.

Now, it is a fact, of course, that this has all come about since the establishment of Israel, but it is the old question of the chicken and the egg, and we do have the grave problem of imminent persecution.

I am not trying to assess fault. I am just talking reality now. I ask whether in making the statement you do—I ask whether in view of these few facts I have just given—and I am sure you know them, and a good many more—would that not condition your answer to that question?

Mr. PICKETT. I am afraid I am taking entirely too much time, but we were requested to make a study of what was happening about 2 years ago in Iraq. You may have seen the report. The report was fully confirmed by another independent agency that made the report that there was no necessity for Jews leaving Iraq. They said, "Leave us alone. Do not disturb us. Do not rock the boat and we will be all right."

Now it is quite true that since then there have been laws passed, a rising tide of opposition and they had to come out.

What I am saying is that it seems to me that we Americans ought to catch those things we can before they reach that stage of irritation to where they do have to come out. I am not blaming them for coming out; I am saying "Have we done everything possible in preventing that stage?"

And I just do not want to miss any opportunity we have to create the possibility of people living on where they have lived for centuries. I am not criticizing anybody for anything that has happened, but it is a great pity when people have to leave, be uprooted, and leave property behind—people who have lived together for centuries.

Mr. JAVITS. I have just one other question. I thank you very much for the elucidation of that view. You said that the Arab refugees were being cared for, if I heard you right, by these various Arab States. There is this group at Gaza, under Egypt, a large group

in Jordan, and it was our understanding in the various appropriations that we have had here for the Palestine Refugee Fund of the United Nations, that the Arab States on the contrary were doing very little.

Mr. PICKETT. Yes.

Mr. JAVITS. But we are being asked to put up this money to resettle the Arabs because it was not available otherwise unless we and others like us put it up, and the Arab States would not take them in unless the money was forthcoming.

Mr. PICKETT. Well I think it is perfectly true that most of the Arab States, perhaps all of them, and you can include Egypt, could not or would not take the whole problem. When we went to Gaza the Egyptian Army was giving 600 calories a day. People cannot live very long on that, but they were doing what they could.

The people of Lebanon have done what they feel is quite a contribution in giving housing. They do not have tents there very much; they live in villages and in people's houses. It does not mean governmental appropriation, but rather one way or another these poor people of the Arab States have done a good deal. For instance, individual families in Gaza have reduced themselves to poverty helping out.

It does not amount to very much in volume, but I just want to pay my respects to what the Arabs have done for themselves.

Mr. JAVITS. That is human decency, and we should be grateful for it.

Have the Arab state governments done anything about resettling the refugees?

Mr. PICKETT. Not very much.

Mr. JAVITS. Thank you very much.

Chairman RICHARDS. Thank you very much, Mr. Pickett. We appreciate your coming.

Dr. Walter Van Kirk, will you have a seat, sir? Doctor, have you a statement?

STATEMENT OF DR. WALTER VAN KIRK, NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE UNITED STATES

Dr. VAN KIRK. I have it. I can read it in about 8 minutes, and I would appreciate the privilege of reading it if I may.

Chairman RICHARDS. You may present it in your own way, Dr. Van Kirk.

Dr. VAN KIRK. My name is Walter W. Van Kirk. I am an executive officer of the National Council of the Churches of Christ in the United States of America. I am not, however, officially representing the organization at this time.

I am here in response to a request from your committee. It was suggested that I might have information that would be relevant to the committee in consideration of that section of the mutual security program for the fiscal year 1952 which deals with the Middle East.

I was one of the American churchmen present at the recently convened conference on the Palestine refugee problem. This conference was held under the auspices of the World Council of Churches and the International Military Council. This conference met on the

campus of the American University in Beirut, Lebanon, May 1-8, 1951. There were present some 50 delegates from 8 nations and from many Protestant, Anglican, and Eastern Orthodox churches. In addition, there were 22 observers and consultants including certain members of the staff of the United Nations Relief and Works Administration for Palestine Refugees.

If it is agreeable to the committee, sir, I will attach to the statement I am now making a copy of the Beirut conference statement for inclusion in the record of these hearings.

Chairman RICHARDS. A long, two-page document?

Dr. VAN KIRK. Yes; two pages.

Chairman RICHARDS. Without objection that will be included in the record.

(The document referred to is as follows:)

WORLD COUNCIL OF CHURCHES AND INTERNATIONAL MISSIONARY COUNCIL REFUGEE
CONFERENCE, BEIRUT, MAY 4-8, 1951

CONFERENCE STATEMENT

We, members of a conference on the Palestinian refugee problem, meeting in Beirut on May 8, 1951, under the auspices of the International Missionary Council and the World Council of Churches, are shocked by the plight of the refugees from Palestine. As we visited different areas and saw the appalling conditions under which they are living in camps, and towns and villages, we have had our minds brought sharply back to the tragic chain of events which has caused this situation. Scattered over five countries, more than three-quarters of a million Palestinian refugees have been subjected to terrible privations, lasting in many cases for a period of 3 years. They have suffered grievous physical and material losses, but their mental, moral, and spiritual hurt has perhaps been even greater. Furthermore there is no end in sight. Little wonder is it that their morale is steadily deteriorating, and that many show signs of desperation.

The responsibility for the present situation must be shared by many nations and political groups. Insofar as Christians by their action, or inaction, have failed to influence in the right course the policy and decisions of their governments and of the United Nations, they too are guilty. Upon us, therefore, falls the greater responsibility to seek, in collaboration with all men of good will, a constructive solution for the problem. Moreover, none of us can claim that we have hitherto discharged the humanitarian obligation that lies upon us.

Along with millions of refugees in other parts of the world—Europe, India, Pakistan, Korea, and elsewhere—the greater proportion of the Palestinian refugees are the victims of a catastrophe for which they themselves are not responsible. A deep injustice has been inflicted upon them, a measure of suffering they never deserved. To them is owed a debt of restitution by their fellow men, especially by those who in any way shared in the responsibility for their present plight. Yet we realize that nowhere in the world today can the claims of absolute justice be enforced, and that only the healing hand of time, and the exercise of a spirit of forgiveness, can release those forces which will make for peace, mutual understanding, and reconciliation.

We are convinced that there can be no permanent solution of the problem of the Palestinian refugees until there is a settlement of the outstanding political differences between the Arab States and Israel. Churches are not competent to lay down the lines of a political solution. It is the duty of all governments in cooperation with the United Nations to press for, and to facilitate, an early and agreed settlement, as an indispensable condition for achieving a lasting solution of the refugee problem. This particular settlement can only come as part of the general settlement of international problems in the Near East, and it will need the support of international guarantees, so as to remove the spirit of uncertainty and fear from the political atmosphere of the region.

Such a settlement will have to contain provision for the return of a certain number of refugees to their original homes. It must also include a general plan of compensation for refugees whether they return or not. We urge that, on both counts, the settlement should be not only just but generous. Yet, while we recog-

nize the basic right of all refugees to their own homes and property, nevertheless a careful appraisal of the total situation has compelled us to conclude, however, that many Palestinian refugees will have to settle in new homes. For their integration into the life and economy of the Arab States, large sums of money will be needed, and needed quickly. It is the undeniable obligation of all who have shared in responsibility for the present tragedy also to share in the cost of making reparation for the damage done. And, since all schemes of resettlement require time for implementation, the essential financial contributions must be in the form of guaranteed, long-term commitments.

Finally, we appeal to all Christians to use their influence in persuading their Governments and the United Nations as to the need for a definite political settlement and large-scale schemes of relief and reconstruction. We would urge all Christians to give personally on a far more liberal scale to all the activities of the Christian voluntary organizations engaged in the work of relief, rehabilitation, and resettlement in the Near East. We would call upon the Christian churches throughout the world to cooperate more actively with the churches of the Near East which have been so hard hit by the present tragedy in order that they may maintain their Christian witness and face in a constructive way the opportunities of the new situation.

Mr. VORIS. Can I see one?

Dr. VAN KIRK. I have only a few copies here. I will leave one with the clerk.

Chairman RICHARDS. Have you got one or two there you can pass around?

Dr. VAN KIRK. Yes.

Prior to the official opening of the conference the delegates visited many of the refugee camps in Arab territory. I myself was a member of the group that visited camps in the Hashemite Kingdom of Jordan all the way from Arab Jerusalem up to Amman, the capital city of Jordan. I and my colleagues were shocked by the plight of the refugees.

Scattered over five countries, more than 750,000 Palestinian Arab refugees have been subjected to terrible privations, lasting in many cases for a period of more than 3 years. They have suffered grievous physical and material losses, but their mental, moral, and spiritual hurt has perhaps been even greater.

The morale of the refugees is steadily deteriorating, and many show signs of desperation. It was the unanimous judgment of the Beirut conference that the Palestine refugees are living under conditions of deep injustice and are subjected to a measure of suffering they never deserved.

The conference said—

To them is owed a debt of restitution by their fellow men, especially by those who in any way shared in the responsibility for their present plight.

It came as a distinct shock to those of us who attended the Beirut conference to discover the extent of hostility and ill-will toward the United States throughout the Arab world. This we saw in the areas we visited and learned in the reports we had from various Arab lands.

The United Nations, moreover, is held in low esteem. It will not surprise you to be told that many of the Arabs look toward Moscow for leadership in their hour of need, since, rightly or wrongly, they believe they have been abandoned by the United States and the west generally.

Since it is a part of our national policy to create situations of strength in various parts of the world, it can only be said that we have thus far failed to achieve that objective in the Middle East,

insofar as winning the confident friendship of the great majority of the peoples of that area is concerned.

That is why it is of the utmost importance that adequate provision be made in the mutual-security legislation now under consideration for economic and technical assistance to the Middle East.

In addressing myself to this question I do not appear before you as an expert on the economic, military, or political problems of this part of the world. I am here as one who has seen a vast multitude of people in despair. These people happened, for the most part, to be Arabs. As a Christian, I must be concerned with their plight, no less than with the plight of refugees elsewhere. It was for the purpose of evidencing this concern that I accepted the invitation of your committee to appear here today.

There is included in the proposed legislation a contribution of upward to \$50,000,000 to Arab refugee problems.

Now I do not know whether this figure is correct, or the one Mr. Pickett gave, of \$25,000,000. But I seem to see in the breakdown of the figures of the State Department for the mutual security program a \$50,000,000 item.

Chairman RICHARDS. That was to be used for the United Nations.

Mr. PICKETT. \$25,000,000 for relief.

Mr. VAN KIRK. I am confident that the American Christian community will support this recommendation.

The Beirut conference recognized the basic right of all Palestine Arab refugees to their own homes and property. However, the conference was forced to the conclusion that many of these refugees would have to settle in new homes, and that for any long-term plan of resettlement, funds on a large scale from both public and private sources would be needed for a considerable period of time.

It was the judgment of the Beirut conference that—

In the face of the responsibility which the international community must share for the plight of the refugee, more is required than temporary relief measures.

It was felt that—

The United Nations, with the full support of member states, must provide financial resources for a program of resettlement and reintegration to be put into effect as soon as governments in the Near East agree with such schemes.

It was also held that—

with primary consideration for human need and freedom from selfish political motives, long-range planning must seek the general establishment of higher standards of living throughout the area, which can be promoted through technical assistance, both multilateral and bilateral.

It is also recommended in the proposed legislation that \$125,000,000 be authorized for economic aid and technical assistance to the Middle East. Of this amount it was proposed that \$23,500,000 be allocated to the Arab States, and a like amount to Israel.

This would seem to me, as I am certain it would to the members of the Beirut conference, to be the rock-bottom minimum of the economic aid that should be available to Arab areas during the forthcoming fiscal year.

The allocation of economic aid, including technical assistance to the Arab States, should be commensurate with the needs of those states. If Israel, with a population of 1,200,000 is to be given

\$23,500,000 in economic aid—and I heartily support this recommendation—it may be questioned whether a like amount is sufficient to meet the economic needs of the surrounding Arab States with a population of 40,000,000, especially since funds in any sizable amount have not been, and are not now forthcoming, available to the Arab community from outside private sources.

Whatever the reasons for this situation, the fact remains that the standard of living among the Arabs is deplorable, and for the refugees well nigh beyond endurance.

Looking beyond the immediate aspects of the problem of the Middle East, the Beirut conference plead for the exercise of the spirit of forgiveness and reconciliation. It is my own view that what is needed to achieve stability in the Middle East and to insure for ourselves and the free nations the enduring friendship of the Arab world is for the United States to display toward the Arab peoples a larger measure of human concern expressed in political understanding and good will.

Economic aid and technical assistance are not enough. Nor will military assistance suffice. It is doubtful that bases scattered throughout the Middle East, amongst 40,000,000 Arabs, many of whom are hostile to the United States, would add substantially to the military security of the west.

Mutual security is derived in larger measure from the spirit of friendship and good will between and among the peoples concerned than from military establishments.

Arabs are proud of their heritage, their culture, their civilization. To recover and maintain inviolate the friendship and confidence of the Arab peoples, as of all peoples in this area, should be one of the priorities of the legislation here under consideration.

Not only in the Middle East, but among Moslem people elsewhere—there are 400,000,000 of them—is our attitude with reference to the distribution of economic aid toward the Palestinian refugees watched with concern.

Chairman RICHARDS. Thank you, Dr. Van Kirk.

I believe I will start down the other end of the table. Are there any questions? Mr. Carnahan?

Mr. CARNAHAN. No questions.

Chairman RICHARDS. Mr. Javits?

Mr. JAVITS. I have just two questions, Dr. Van Kirk. First, may I say that I appreciate very much what you said about our treating the Arab problem with understanding and good will. I join in that thought.

Second, we have some question here as to whether, if additional aid is provided for the Arab States, they will take it and use it. Those who have testified before us are just not very sure as to what the Arab States will even wish to absorb in terms of economic aid. And the figure for them is essentially an extrapolation, a series of assumptions.

Dr. VAN KIRK. I am glad you explained the meaning of that word.

Mr. JAVITS. Thank you. I think you get my point. I am just wondering if you would say just one word about that.

Dr. VAN KIRK. I had the impression, as a result of my observations in these Arab countries—and I must stress the fact that I was there for only 8 weeks—that if there is a disposition to reject economic aid

from the west, it is not so much that they do not feel the need of that economic aid as it is that the economic aid thus tendered is not accompanied by the political understanding and good will which they desire even more than they desire economic aid.

That is to say, if we were to provide the aid along with such manifestations of good will toward them as would accord them a status of equality with other peoples in the Middle East, as would reflect a recognition of their rights and of their legitimately felt needs for economic equality and opportunity, then I think there would be a greater willingness upon the part of these Arab States to receive this aid from the west.

Mr. JAVITS. Do you not feel that good-will gestures would be defined by those who rule in the Arab States only as punitive measures or deprivations with respect to Israel? That is the thing that worries me.

But I always have this concern—and I would appreciate your reassurance on that—that the only thing they think we mean when we say good will, is to do something adverse with respect to Israel. What do you think about that?

Dr. VAN KIRK. I think that the Arab world would like to see the United States exercise its moral influence in the halls of the United Nations to give effect to the resolutions of the General Assembly which look toward compensation and repatriation.

There is a feeling I think among Arabs that the United States has given only lip service to these resolutions and has not evidenced sufficient concern to implement the provisions of the General Assembly resolutions in that respect.

Mr. JAVITS. I notice, though, in your own report of the conference, you say that many leaders in the Near East are beginning to recognize, however reluctantly, that resettlement of these Arab refugees in new homes would be the only practical and possible solution.

Dr. VAN KIRK. I would support Mr. Pickett's observations in that respect. I think the political realities of the situation in the Middle East preclude the possibility of any large-scale resettlement in Israel, and I think the Arab States themselves, the leaders at least among them—not the people in the camps—recognize this to be true. But the people in the camps desperately want to go home.

We visited many of these camps in the Hashemite Kingdom of Jordan, and at each met with a committee of leaders. They gave us petitions and appeals, and they always started out with a declaration that they wanted to go home. Amongst the people in the camps, too, that hope is still nurtured, but I think among the leaders there is an understanding of the political difficulties involved in that operation, and I think they themselves have come to recognize that a program of resettlement in the Arab States is the thing that must now go forward.

Mr. JAVITS. What you think, therefore, is that the prevailing opinion is that we ought to throw our weight behind resettlement and see that the necessary funds are available, including participation by Israel to bring about the resettlement?

Dr. VAN KIRK. I would say that, sir, yes.

Mr. JAVITS. Thank you very much, Dr. Van Kirk.

Chairman RICHARDS. Do you have a question, Mr. Burleson?

Mr. BURLERSON. Doubtless you are familiar with the speech recently made by the Egyptian Ambassador at Princeton University?

Dr. VAN KIRK. I did not read the speech. I have been away for some weeks and I have not had an opportunity to read the press as faithfully as I otherwise would. So I am not familiar with the speech.

Chairman RICHARDS. May I interpose? Have you read the Congressional Record lately?

Dr. VAN KIRK. Not within the past month, sir. I have had a vacation.

Mr. BURLINSON. I was so sure that you, being interested as you are in this question, would have observed his remarks, which to me were very interesting and create a very interesting point of view. The thesis of it was that there was nothing to be done in the Middle East as far as dollars were concerned. And you said practically the same thing except you go on and say that money is necessary but it takes a great deal more than that.

The situation is such that only by the observance of certain fundamentals can the Western World regain its prestige in the Middle East, which obviously has deteriorated during the past several years.

That was the basis of his speech, and I just wondered if you were familiar with it and could comment on it. If not, thank you anyway.

Dr. VAN KIRK. I think if the members of this committee were to visit the Arab countries at the present moment and spend some time talking with their leaders, they would be impressed with the extent to which these Arab peoples feel they have been pushed to the side. They really do not matter very much in the councils of the nations. They feel that they have been bypassed in the United Nations, for example, that their opinions and judgments are not sought.

They feel isolated and alone and apart from the world community.

And I feel that the best step, therefore, that can be taken by the United States to recover the friendship which we once had and have now lost is to identify ourselves with the Arab peoples spiritually and politically and economically with their legitimate interests and aims.

Mr. BURLINSON. Thank you.

Chairman RICHARDS. On this side. Mr. Fulton?

Mr. FULTON. Of course, in many of these Near East countries outside of Israel, the groups in the governments are ruling groups that are hereditary and concentrated groups, are they not?

Dr. VAN KIRK. Yes.

Mr. FULTON. So that really we have in many of those countries a very rich class and a terribly poor or prostrate class. Is that not right?

Dr. VAN KIRK. I am afraid that is true, sir.

Mr. FULTON. And many of these governments then are governments that are still in, you might say, the Middle Ages of Europe, completely feudal, with uneducated masses, very few educated people, and no middle class. Is that not right?

Dr. VAN KIRK. Yes.

Mr. FULTON. Now then would you not recommend that we not closely ally ourselves with that class of government. Anything we might do which will result in the rising of the lower classes will in its essence be revolutionary to the best interests of the top people in their own economy, will it not?

Dr. VAN KIRK. I should hope that any economic aid that was forthcoming to these areas from the United States would be safeguarded at that particular point, that this aid would be forthcoming in ex-

pectation of certain reforms that might be instituted in this area, land reforms, for example, among other reforms.

I do not know whether or not it is feasible through political action to impose upon another people a program of economic and political reform, domestically within one's own country, but I should think that certain moral pressures could be exercised in the appropriations that were to be made for economic aid to these areas that would encourage and lend support to such reform movements as would tend toward a greater equality economically in these areas.

Mr. FULTON. Then do you think the problem in the Middle East is basically a political problem?

Dr. VAN KIRK. Perhaps from within these Arab States themselves it is predominantly a social and economic problem, but the relations of the United States and of the west to the Arab States, that I would say is predominantly political.

Mr. FULTON. Then on the relations between the United States and these Arab States, if it is predominantly political, do you as a churchman feel competent to pass on that question?

Dr. VAN KIRK. As to what steps should be taken to implement this political concern? No; I have explained in my statement, the lack of technical competence in this field, which saves me the necessity of answering a lot of questions that might otherwise be asked.

Mr. FULTON. Very good, Doctor.

Do you think that the aid that we might give, if given generously to show that we have no favoritism, to both Israel and the Arab States, would solve the problems of the terrible enmities of groups within the states and of the terrible enmities among these states?

Dr. VAN KIRK. Well, I think it might tend toward that end. I think the likelihood of achieving that end through a process of technical assistance and aid of the kind contemplated in this bill would certainly lead more directly toward that end than would the absence of such aid.

Mr. FULTON. But do you think it would be worth while for us to try to settle these religious disputes in many of these clan feuds through money from the United States?

Dr. VAN KIRK. I think it would be a fatal blunder to attempt that.

Mr. FULTON. Now, in conclusion, then, it is going to be a long-time problem of development and of raising the educational levels, and of doing what has been many times on this committee pointed out, instituting these pilot plans to show what they can do themselves.

Would you say that is the type of program we should emphasize on a Point 4 basis, or do you say that we should give it to the governments and let them do it themselves?

Dr. VAN KIRK. Well, I would not put it on an either-or basis. It is possible, I think, for both to go forward concurrently.

I would subscribe to Mr. Pickett's point of view, that in the long run the more programs of this kind that can be placed under the aegis of international authority the better it is. I feel that very strongly.

Mr. FULTON. If we are looking at the problems of the United States on a long-time basis, we must seek under this legislation forces in being, and reserves, that have an impact. If that is the case and we can see that Israel has been able to at least get a balance of power in the area, we can see that Israel at least has at the present time equality

with the Arab States on a balanced-power measure. Leaving the future out of it, at least now it has a balance of power; has it not?

Dr. VAN KIRK. I would say preponderant military power. Vis-à-vis the Arab States, I mean. I was in Jerusalem on their independence day just a couple months ago. I witnessed a military demonstration put on there in Jerusalem on that day. And I tell you, the strength that was reflected in that operation must have been of a kind to create in the Arab mind, at least, the thought that there is a preponderance of military strength within the Israeli State as of this present moment.

What the ultimate effect will be on the Arab community, I would not be prepared to say.

Mr. FULTON. If we are looking for friends, the Israeli State seems to be a stable government compared to some of these other governments, does it not?

Dr. VAN KIRK. We have their friendship now.

Mr. FULTON. And, secondly, Israel shows the opportunity there is for progress, because of good commerce laws and really a very adventurous spirit. Is that not correct?

Dr. VAN KIRK. I would subscribe to that wholeheartedly, sir. I was in Israel for a week at the invitation of the Israeli Government, and I desire to bear witness to the very extraordinary advances that have been achieved by the Israeli State in this short period, economically, culturally, and otherwise. It is an extraordinary chapter in history.

Mr. FULTON. Then, if we leave international boundaries out of it, we look to see where we do get the greatest advance, the greatest defense force, and the greatest progress, in giving this aid, do we not?

Dr. VAN KIRK. In what way? I did not hear that last.

Mr. FULTON. In giving this aid.

Dr. VAN KIRK. I have supported the aid to Israel contemplated in this bill.

Mr. FULTON. But I say if the international boundaries were left out of it, we would look for the best results, would we not?

Dr. VAN KIRK. Yes; but I really do not think there is enough military strength in the Middle East, with Israel and the Arab States put together, to weigh very heavily in the total balance. By using a military measuring rod these armed forces could hardly substantially influence the military position as between east and west.

Mr. FULTON. Of course you remember that Israel was one of the balances and real weights in our favor at the battle of El Alamein when they supplied a tremendous amount of equipment and supplies to Allied troops in Africa in World War II?

Dr. VAN KIRK. Yes.

Mr. FULTON. The State Department has come here with a program that exactly makes equivalent the Arab States and Israel on economic aid. Mr. McGhee has said the State Department looked at the varied problems as a matter of need, and then they projected into the future on each of the countries involved.

Now may I have your comment: The State Department looks at Israel and comes up with a figure on all their needs and their future progress and says \$23,500,000. Then it looks at each of the other Arab States all down the line—

Mr. VORYS. I believe the breakdown was in executive session.

Dr. VAN KIRK. I do not know what those figures are.

Mr. FULTON. I am not going to mention what the breakdown is among states, but I certainly see the \$23½ million figure here.

Mr. VORYS. The \$23,500,000 is published.

Mr. FULTON. That is all I am going to say. Have I gone any further than that?

The State Department takes all the Arab States and adds them up one after another on their present needs and future progress, and takes into account the various absorption rates of aid. The State Department then arrives at the same figure exactly to the dollar, of \$23,500,000. Do you think, as a churchman, and as a matter of coincidence, it is possible to reach that result?

Dr. VAN KIRK. No; I do not, and I am certainly not competent on the basis of a very hurried visit to the Middle East to estimate what would be the fair balance of aid as between the Arab and Israeli States. But it would seem to me on the surface of things—

Mr. FULTON. A very strange coincidence?

Dr. VAN KIRK. That in an area that embraces 40,000,000 people would, by reason of their present low standard of living, plus the added necessity of absorbing and resettling the vast number of Arab refugees in their countries, constitute a need that would require—it would appear to me, as a layman—a sum greater than that which would be allocated to Israel. And if it is not political heresy, I would have to disagree with the State Department figures at that point.

Mr. FULTON. It was a strange coincidence that it came out the exact amount, would you not think so?

Dr. VAN KIRK. Yes; I think that is a rather arbitrary division.

Chairman RICHARDS. You are not responsible for those figures.

Dr. VAN KIRK. No, I am not.

Mr. FULTON. Actually, there is \$50,000,000 in this bill for the Arab refugee problem, so if you took it on this basis, it would be \$23,500,000 economic aid and \$50,000,000, or \$73,500,000, for the Arab states as against \$23,500,000 alone for Israel.

Dr. VAN KIRK. Yes, if you added the aid which is contemplated for refugees to the economic aid and technical assistance, then you would have \$75,000,000 roughly speaking, against \$25,000,000. But when you consider the vast number of these Arab refugees, variously estimated up to a million, and you take this \$50,000,000 and divide it by the number of refugees you have, it becomes immediately obvious that \$50,000,000 cannot go far toward contributing toward a permanent program of economic rehabilitation and making a viable economy in the Arab States. That is my point.

Mr. FULTON. But you must also realize the historic difference in the level of living between people who have had a village and nomadic base as against an industrially rising state such as Israel.

Dr. VAN KIRK. That is true.

Mr. FULTON. And in addition you must also take into account that Israel has the very big expense, for example, of flying people in from Yemen, so that the cost of their refugee problem per person in resettling them in Israel has been much higher.

Then we must also take into account that a resettlement in Israel means training, job placement, and a house, while in Arab countries it may mean putting them in a valley, or a village, in a tent, and with a little flock or something of that nature. Is that not correct?

Dr. VAN KIRK. That is true.

Mr. FULTON. Our basis of this legislation of course comes back to the defense of the United States and the defense of this area in relation to our foreign policy. While I know that there are millions and hundreds of millions this evening starving in Asia, as a Congressman from Pittsburgh I do not believe I can vote to give part of the proceeds of our billion dollar tax bill from the Federal Government to take care of all of them. So the population figure is too simple arithmetic.

Chairman RICHARDS. Dr. Judd?

Mr. JUDD. Mr. Chairman, I wonder if we could not be educated, instead of the witness' being educated.

Mr. FULTON. I am following Dr. Judd's—

Mr. JUDD. Good example?

Mr. FULTON. Usual form. I learned that.

Mr. BATTLE. You learned it well.

Mr. FULTON. I try the technique with churchmen, and Dr. Judd tries his on General Marshall.

Dr. VAN KIRK. He has taken his turn at the churchmen too.

Mr. FULTON. I think I would have more chance educating you than General Marshall.

Chairman RICHARDS. We have one more witness here, and we had better move along.

Who is the next questioner, Mr. Battle?

Mr. BATTLE. Thank you, sir. No questions.

Chairman RICHARDS. Any questions on this side?

Mr. JUDD. I want to pay tribute to Dr. Van Kirk for a statement that I think is eminently sound, as well as Mr. Pickett's, particularly in its emphasis on the moral support these people need. That is their greatest hunger. The dollars cannot do the job without that moral support. Of course they cannot live without some calories too.

Dr. VAN KIRK. That is the crucial phase of this problem.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Dr. Van Kirk, obviously the amount of money involved varies tremendously. I am tremendously interested in who is going to administer these funds, and how well.

Would you care to comment on the way in which you think funds today are being administered and how perhaps they could be improved, what agencies are doing well and what are not?

Dr. VAN KIRK. While I have followed very understandingly Mr. Pickett's comments with regard to the difficulties that all of these United Nations agencies are confronted with in the Arab States, you just have to see this problem to understand it, to see what it is. You have to see it and feel the tensions there, and the ease therefore with which United Nations agencies are criticized by the Arabs.

But such of the operations that I myself saw in the camps that I visited, I have only the highest praise for the activities of the United Nations Relief and Works Administration. I saw at first hand some of the operations of the United Nations children's emergency fund, for example, and I have no hesitation in saying that of all of the agencies I saw in operation in the Middle East, UNCEF stood easily at the top.

I saw their feeding projects in many of these camps, milk for children, great lines of children waiting for their milk in the mornings,

mothers with their babies at their breast, little children waiting, and good discipline prevalent there, and a fine spirit and understanding. And I want to take this opportunity to pay tribute to the work done by UNICEF in these areas.

Mrs. BOLTON. Dr. Van Kirk, you spoke of the possibilities of pilot plants, and so on. Have you by any chance seen the Arab Development Co. project?

Dr. VAN KIRK. No.

Mr. BOLTON. Have you seen it, Monsignor?

Monsignor McMAHON. Yes.

Mrs. BOLTON. I think a picture of that would be very helpful to us.

Mr. VORYS. Dr. Van Kirk, in looking at the report exhibit 4, adopted there I saw these words: "Only 10 percent are Christians." Does that mean that—

Dr. VAN KIRK. Ten percent of the Arab refugees are Christians.

Mr. VORYS. There are 80,000 to 100,000 Christians among these refugees?

Dr. VAN KIRK. There are about 10 percent, yes.

Mr. VORYS. Now you have heard earlier that it is doubtful whether the Arab States have asked for this \$23,000,000. You have told of their feeling about us in those countries. Israel has asked for \$150,000,000.

Dr. VAN KIRK. That is not a part of the legislation now before this committee.

Mr. VORYS. No, but their request is officially on file, and witnesses have appeared urging the \$150,000,000.

Dr. VAN KIRK. Yes.

Mr. VORYS. If we do not grant that request, will we lose the friendship of Israel; and if we grant it will we lose or gain the friendship of the Arab States?

Dr. VAN KIRK. I am not going to answer that question, because I am really not competent to answer it because this requires an insight, really, to sit in judgment on the inner operations of the minds of the Jews on one side and the Arabs on the other. And I do not have the faculty for doing that.

Mr. VORYS. We have to answer it, and we have not been out there just a few weeks ago as you have.

Chairman RICHARDS. You would call that the \$64 question, would you not?

Dr. VAN KIRK. Yes. And perhaps on the basis of study and reflection upon the matter I might have something to say. But I prefer not to give a snap judgment answer to your query.

Mr. VORYS. Thank you.

Chairman RICHARDS. Thank you very much, Doctor.

Dr. VAN KIRK. May I say with regard to these papers that I left on the table, the message to which I referred is entitled "The Statement of the Beirut Conference." There is appended to these papers—and it may be of interest to some of the members of this committee—to have the judgments reached by the conference in various working sections of the Beirut conference.

Now all of these papers represent the official action of the Beirut conference, and I would call your particular attention to that working paper which deals with recommendations bearing upon United Na-

tions' policies. It might throw some light on the problems with which the committee has been confronted.

Mr. VORYS. Doctor, you did not intend to submit to be printed in the record anything but the statement?

Dr. VAN KIRK. That is all. I will not presume to suggest that the rest should be published. But if it is desirable I would be glad to mail to each member of the committee the entire set of working papers.

Mrs. BOLTON. Would you do that?

Dr. VAN KIRK. Yes.

Chairman RICHARDS. Monsignor McMahon, will you have a seat, sir?

Have you a prepared statement?

Monsignor McMAHON. Yes, I have one here.

Chairman RICHARDS. Will you proceed in your own way, sir?

STATEMENT OF MSGR. THOMAS J. McMAHON, CATHOLIC NEAR EAST WELFARE ASSOCIATION

Monsignor McMAHON. Well the hour is late, and so much has been well said by those ahead of me, so much that I concur in. I concur in practically every conclusion Dr. Pickett stated, and most of the conclusions of Dr. Van Kirk, so that I would be repetitious, except that you may wish to ask me further questions.

Now, my competence lies in the fact that I have been out there in the Middle East directing all the relief activities of the Catholic Church, in both the Arab States and in Israel. Accordingly I have been in that territory for most of the past 3 years, and I have just returned a few weeks ago.

It is an honor and a pleasure to come before you after this long experience.

First of all, I wish to say that those who criticize the United Nations' relief program should have the spirit of Dr. Pickett here. I know the weaknesses and I know the strength of that relief program. But I have collaborated with the United Nations' relief program in every item. We, the Pontifical Mission, have run many milk centers for UNICEF, food distribution centers for supplementary feeding, and we have poor refugee kids in over 330 schools in the relief areas.

We have conducted many works projects and all kinds of activities for Palestinian refugees. Our efforts have been made possible through private voluntary subscription, not by United Nations' money, so we have done a great deal for the refugees and for the United Nations and we have furnished a personnel of about a thousand, mostly indigenous.

In our Pontifical Mission program, I have been one of three foreigners brought in to conduct the work. Most of the remaining workers are indigenous. I purposely kept this system, even in the face of some opposition, and I think this point may help the questioning that follows. I adopted this system on purpose, because I wanted to see if these people can help themselves. And they can.

Some, even of my own, thought I was foolish. Why should we not bring in a great big corps of workers? But I did not, and we got along. It is an evidence of how fine these Arab people are fundamentally. That is something which Dr. Pickett has brought out so

well. When he was out in Gaza I worked with him, and I know the spirit in which the Friends work.

Many of these Arab people are highly professionalized. An honorable Congressman here has already mentioned the Arab Christian people. Most of them have had a fine education. These people want to return to their homes. The more intelligent they are, the more they wish to return to their homes.

Chairman RICHARDS. Did you say most of the Christians, the 10 percent?

Monsignor McMAHON. Yes, most of the Christians. And there are a great many Moslems, very well educated too. Still it is not a question of education—sometimes it is a question of basic culture. Nor would I say that all these Arab refugees are agrarian people. This would be untrue.

When we think of many of the better ones—and these are very fine characters—many are not the truly agrarian type. There are many professional people and, by the way, these are the hardest people for whom to do relief work. It is hard for a lawyer, a teacher, a man occupied formerly in the Palestine Mandatory Government to receive the dole and to get on line as many others do.

Suppose you were to get under a tent yourselves, you would know how hard it is for these people to do so. It was not easy for me to live the life of a relief worker, for it was necessary to try to live like the poor refugees in order to prove that I was really there to work for them.

Now I wish to make one point of disagreement. As a church—and I believe I can speak for the Catholic Church, at least in my capacity as head of her relief activities in the Middle East—we have had a constant policy on Palestine. We claim there still is a Palestine question. All these discussions tonight have merely taken for granted the existence of two portions of Palestine without realizing that the United Nations has not only resolved but also voted certain decisions for Palestine.

Yet nothing is said of that settlement. When the honorable Congressman from Pittsburgh said that a churchman might not want to go in for politics, I might say that the Palestine question is a very high grade of politics. Palestine is the Holy Land in which three rights are involved. The three rights are Jewish, Moslem, and Christian, so that one is not anti-Semitic when he urges the Christian right in Palestine. I do not think one is.

I think this is a point on which we must insist. Here is where the added question of repatriation, of compensation also enters. Speaking of the Israel area and the Israeli Government, I know them very well, nor do I come here with any spirit of animosity, but they do know very well from my own lips that there are three rights in the Holy Land, and the Palestine question is not a political question of the nature in which we have spoken tonight. I am not being apodictic here. Having just come in from the Middle East and having felt its tensions for every minute of the last 8 years, I say you cannot settle the question of the refugees, you cannot get the friendship of these Arab people for the United States or for Britain so long as the Palestine question remains unresolved.

This, so long as you here—and we are mainly responsible, we give lip service to United Nations' resolutions and votes but we do nothing

else—go the opposite way in our policy. Now this is the truth, and you know it. This is the absolute truth.

And I think this, speaking of this security program, as I wrote in my statement, I am heartily in favor of this voting of aid—everyone who has put foot there would have sense enough to be in favor of it—that we must go further if we want security in those regions.

You have the friendship of Israel and you should have the friendship of Israel. But you must get the friendship of the Arab States, and you cannot get it by delaying tactics. You just cannot get it that way. I feel that unless we are willing to implement United Nations' decisions to some degree at least, and then willing to show those poor Arab people over there that they are not being pushed aside, we cannot get their friendship. One might also consider that the Palestinian Arabs were among the best cultured Arabs and that especially during the British mandate these people had a high degree of education with many other advantages. It would be wrong to have any other attitude.

So I ask you to read this statement of mine and then perhaps talk along the lines I suggest here. Dr. Pickett has already said everything that would be needed to be said about these refugees. I am merely giving you the profusion of my despairing spirit after 3 years of working among these refugees.

Mr. MANSFIELD (presiding). Mr. Vorys?

Mr. VORYS. First I ask that the consignor's statement be set out in full in the record.

Mr. MANSFIELD (presiding). Without objection, that will be done. (The statement referred to is as follows:)

STATEMENT SUBMITTED BY MRS. THOMAS J. McMAHON

I am particularly interested in section 201 of title II of the proposed draft of the Mutual Security Act of 1951, as presented in the background pamphlet Mutual Security for Fiscal Year 1952 and in the relevant prefatory pages, especially page 20 entitled "Aid to the Palestine Refugees."

Thus, my competence in answering the gracious invitation of the House committee lies in the fact that, for several years, I have been actively engaged in relief and humanitarian work among the people of the Middle East and that for the past 3 years I have been personally and physically present there to direct the activities of the Catholic Church in behalf of the Palestinian refugees. Accordingly, I am more than deeply interested in the prolongation of every aid possible, on the part of our Government and of every agency, whether public or voluntary, to the Near and Middle East and more precisely to the Arab refugees of Palestine.

That it is absolutely necessary to continue such aid everyone even remotely acquainted with the problem must admit without qualification. We who have worked so long among these destitute Palestinians would view with very genuine horror any other point of view. The Palestinian Arabs are the innocent victims of the warfare that engulfed them and forced them out of their homes, and as the fourth successive year of this tragedy now begins, it find them in the same continuing need, while their state of mind must be described as one of despair. The United States cannot afford to forsake these exiles, and the radical motive for such aid goes far beyond a mutual security program: it is basic justice on our part to keep on helping these hundreds of thousands of innocent victims, of homeless people.

We go well beyond politics when we point out to the designated Representatives of the noble and generous American people that there can be no security in the Middle East until the problem of the Palestinian refugees is solved. The very existence of the problem has caused not only complete privation among the victims themselves, it has also brought about an economic and moral crisis in the Middle East, embittering every honorable citizen of the nations involved.

Now, in all honesty, let it be said that the magnanimous aid of the American Nation will not be the only factor in solving what I consider the most aggravating

problem in the pattern of a hoped-for world peace. By all means, and out of strict justice, let the United States vote as much monetary aid as possible to the United Nations' program for the relief of the Palestinians, but in a greater degree we beg our legislators to see clearly what is involved.

In the very excellent explanations of the Mutual Security Act, you write of the continuance of direct relief, though on a diminishing scale, and of the reintegration of the refugees in the economic life of the Middle East. What have you done for a just settlement of the Palestine question? What have you done to compensate the homeless people who did not give up their homes voluntarily? You will never achieve peace in the Middle East until you have given these hundreds of thousands of people the rights that are most certainly theirs. You have been voting to the UNRWA and its antecedent agencies a respectable aid each year since the problem began, but it is another thing to solve the problem at its roots.

We must not think of the Palestinian refugee as unkempt, almost unworthy objects of charity. Among these good people the number is legion of those who are wonderfully trained, well cultured, genuinely moral, men and women who could take their places with you and with us all in any walk of life. Why, then, should we speak of a dole for such as these? In the name of God, let the representatives of the American people examine the roots of the Palestine question and seek to make some reparation for man's inhumanity to man.

Let us by all means vote the aid that has been determined for the refugees of Palestine. Since it is all too little with which to solve the problem, it is our bounden duty to go much further and try to end the restlessness, the misery, the homelessness of these poor people. There is no doubt that men of good will in this country will thereby make the Middle East as much a part of the free world as we are.

Mr. VORYS. How many Christians are there in Palestine, in Israel, now?

Monsignor McMAHON. Christians in Israel? Fifty thousand.

Mr. VORYS. Fifty thousand; and eighty thousand to one hundred thousand refugees?

Monsignor McMAHON. Yes.

Mr. VORYS. Well, could I ask you the \$64 question, which is lying on this table for us to decide and has been appropriately presented here as to whether it would help the total picture out there for us to grant, say, \$23,000,000 of aid to the Arab States, and \$50,000,000 for the Arab refugees, and then grant \$150,000,000 to Israel?

Monsignor McMAHON. Well, I am not much of an economist. I have been spending other people's money in the Middle East for the last 3 years and more than that, for I have been engaged in Middle East work for the past 8 years. But I cannot answer your question; I do not know what you are going to do with this money.

I have read the statements, but I would rather evade the question. I think that is right in your laps. Still I say this: Just as the honorable Congressman from Pittsburgh asked, I do not know why, speaking for the Arab States, the figure exactly balanced. I know they can use \$23,000,000 very well, and \$50,000,000 very well, for the purposes determined. Otherwise, I cannot say which should have this and which should have that. It is too much for me to say.

Mr. MANSFIELD (presiding). Mrs. Bolton?

Mrs. BOLTON. Monsignor McMahon, I wonder if you could give us a picture of the Arab Development Co. project. We have been so inclined in this country to accept the idea that Arabs cannot farm, that Arabs cannot do for themselves.

You say that you found them so able to take care of themselves. Would you enlarge on that a little?

Monsignor McMAHON. Yes. The Arabs do need equipment. Of course, if you compare the State of Israel with the average Arab state, the absence of tractors in the Arab States is to be remarked.

Mrs. BOLTON. Certainly.

Monsignor McMAHON. The Israel State is much better equipped technically. The Arab Development Co. is a small project, you know, because it lacks funds.

You refer to Musa Alami, do you not?

Mrs. BOLTON. Yes.

Monsignor McMAHON. As someone here already mentioned pilot projects, it is to be noted that there are a few around the Arab States. I might remark the work of the Near East Foundation in Syria, and we, too, have tried such projects in different areas.

On a small scale these are great things, but remember that funds are lacking for anything on a large scale, and such a program as the Arab Development Co. is not government-inspired, it is an individual attempt and for us very encouraging, for Musa Alami started before the United Nations works projects idea came along.

Mrs. BOLTON. And what has he done there?

Monsignor McMAHON. Small housing projects, for example, with plots of ground around them. That is the beginning of anything in the Middle East, a home.

Of course, I would like to bring out the point that we must not think of all the refugees as being in camps. In the Gaza area, it is largely camp life, but elsewhere I would say that about 30 percent only of the refugees are in camps. Although we too run camps, as does the United Nations, the greater number of the refugees is still in housing, in permanent buildings.

Mrs. BOLTON. In barracks or homes?

Monsignor McMAHON. We have built barracks, but we also have many refugees in houses, particularly religious houses that could be made available. In Jerusalem there are still some hundreds so situated.

While we are speaking of refugees, we should also remember that this situation has brought on a complete crisis in cities like Jerusalem, partly in a city like Beirut, while Gaza is a perfect example. The poor have become poorer than the refugees.

As to schooling, I think that about 60 percent of the children in our refugee schools are Moslems. And we support these schools on a voluntary subscription basis, not by United Nations' funds.

To return to the pilot projects, they are the beginning of something very good, and they should be encouraged. But I am dead set against a plan of resettlement because I know these refugee people will always balk at this, unless you can prove otherwise to them. Although they may feel they will never return to their homes, they do want to go back.

Mr. Judd. You say you are dead set against a plan of resettling?

Monsignor McMAHON. Yes, I am. I say this because this whole problem cannot be solved until the basic—let's use the word "political"—problem of Palestine is solved.

Mr. Judd. Well you said in your statement, an excellent statement by the way, "let the representatives of the American people examine the roots of the Palestine question and seek to make some reparation

for man's inhumanity to man." Would you help us for a moment examine the roots?

Monsignor McMAHON. I say that the Palestine question, both in resolutions and in votes, is already on the record of the United Nations. Take one question—the internationalization of Jerusalem, voted by the United Nations but not settled.

Now as to the question of boundaries; you say the boundaries are more or less fixed. But are they fixed? This is an armistice.

We might also remark that the thinking on the question of getting people back to their homes has changed in those regions. Dr. Pickett will remember when the Israel Government was thinking of admitting about 80,000 Palestinian refugees from the Gaza area. That was the thinking over a year ago. Now the thinking is not that. There has been some attempt to reunite families, and perhaps 2,000 people came back particularly to the Nazareth-Haifa area, from Lebanon and Syria. Thus there has been some repatriation.

There are other problems within Israel's boundaries because of the war. Some Arab towns have been displaced in their populations within Israel. The people are not in their original villages. There have been negotiations with the Israeli Government on a personal basis.

Can there be more repatriation? I do not know. The State of Israel was more willing, say a year ago, than it is now, possibly because, as it has been suggested here, the influx of their own refugees has been so surprisingly greater than they had expected.

Mr. JAVITS. That is correct.

Mr. JENN. You have three possibilities: Repatriation, resettlement, or leaving them as they are?

Monsignor McMAHON. Yes.

Mr. JENN. I grant you that resettlement is not ideal, but since repatriation of all of them does not seem to be in the cards surely we have to recognize that resettlement may be one of the hard, unpleasant alternatives we must prepare for, rather than leave them as they are.

Monsignor McMAHON. I bring another element in there. Is the question of Palestine itself settled? You cannot talk of resettling people who could be standing on their own ground right now.

There is a section called Arab Palestine in the original United Nations' decision, the Palestine partition plan of 1947. According to that, there were also to be 400,000 Arabs in the State of Israel. There were to be that many within the boundaries of the new state, and the rest of the Palestinian Arabs were to be on the Arab Palestine side.

Mrs. BOLTON. What has happened to all of them?

Monsignor McMAHON. The war pushed the boundaries much farther than the UN Palestine decision called for.

Mrs. BOLTON. Disregarded by both?

Monsignor McMAHON. Nothing is settled.

Mr. JENN. Is it your suggestion that for the present at least, the United Nations should insist on the boundaries fixed in its resolution of November 1947, as I recall.

Monsignor McMAHON. What I say is that the United Nations had better solve something before we try to solve the resettlement of the people. We have to solve the Palestinian question first. That is what will agitate the Arab world until the crack of doom.

Mr. JUDD. You have to have fixed boundaries. That is a part of your point?

Monsignor McMAHON. And you see the new State of Israel now has about 150,000 to 170,000, about that much, if you count the triangle group that came in.

Mr. JAVITS. The group of Arab repatriates.

Monsignor McMAHON. In the realm of things unsettled, be it noted that Gaza is under military occupation of the Egyptian Army, not strictly belonging to Egypt. There are other military zones. Nazareth, technically, is under military occupation.

Mr. JAVITS. Will the gentleman yield to me?

Mr. JUDD. Yes.

Mr. JAVITS. I want to ask a question on this point: Do we still have a hard core of resistance through the military occupation on the part of the Arab States that occupy areas of Palestine, while Israel clings to its forward areas?

Monsignor McMAHON. Yes. I speak with no animosity to either side, but the problem remains unsolved, and you are putting the cart before the horse.

Chairman RICHARDS. Well, let me ask this question: Is it a fact that both the Arabs and the Israelis refuse to adhere to the decisions of the United Nations in these boundary disputes, or are they both equally guilty?

Monsignor McMAHON. I cannot speak of the Syrian affair. I am not familiar with it. But we know that the Jordan Government and the Israel Government refused on the question of an international Jerusalem.

Chairman RICHARDS. Yes. Mr. Vorys?

Mr. VORYS. But we are pouring \$23,000,000 in there. Will that solve it?

Monsignor McMAHON. No, it will not solve it. I will put it just as strongly as I wrote it: We have an obligation in justice, and that is why we speak of an international relief program. It is a United Nations job. We are part of the United Nations. We cannot afford to let that job go.

Mr. FULTON. Will not the start in the Near East of an over-all program that helps them raise their standard of living and gives them some measure of justice be a good start and be in the best interest of the United States?

Monsignor McMAHON. Did you say what would be a good start? Or would this be a good start?

Mr. FULTON. Would not a sizable program in the Middle East, regardless of the boundaries?

Monsignor McMAHON. Yes, but I am talking of questions of resettlement. Regardless of boundaries, surely such a program will be valuable. But you cannot settle this question ultimately, this question which we seek to settle ultimately, until the question of Palestine is settled.

Mr. FULTON. Then you are agreeing really with the Beirut conference when they say on page 3 of their record: "In the last resort the problem could only be solved in the realm of politics." And that is what I was questioning the doctor a little bit about on his political angles.

Monsignor McMAHON. Yes; well, it is high grade politics.

Mr. FULTON. Going a little further, the question then is, for example, what we are calling on the people of this country to do. You ask this question in your statement: "What have you done to compensate the homeless people who did not give up their homes voluntarily?" That is on page 2 of your statement.

Monsignor McMAHON. That is right.

Mr. FULTON. Well, I must say that so far we have done nothing, and I do not see that we have any direct legal obligation to do anything, or moral.

Monsignor McMAHON. There is where I must differ with you. I say that we as a part of the United Nations voted the partition of Palestine. We have continuously gone along on this policy of the United Nations. Now, why have we not the responsibility?

Mr. FULTON. The background of your statement assumes then that the decision of the United Nations had an injustice in it that we might have partially caused. I disagree with you because I thought the decision of the United Nations was pretty fair and had no injustice in it. This legislation is what we are doing for the world abroad. Now, do you think there is a further burden?

Monsignor McMAHON. Yes, I do. We were talking about a moral obligation. You said there was no moral obligation. I say there is. I say there is a profound moral obligation.

Mr. MANSFIELD. If you did not make a statement like that, you would not be worth the cloth you are wearing, and, of course, you are.

Monsignor McMAHON. No. But aside from that, I speak as an American citizen.

Mr. FULTON. Do you not think our Nation, as a member of the United Nations, would be interested in advocating, for example, that Israel comes up with just compensation for the people who have abandoned their property and lost it?

Monsignor McMAHON. They will get nowhere. This has been talked of for 2 years. Still there is no move toward it. You see that there is no move toward these things, compensation or anything else.

Mrs. BOLTON. Mr. Chairman?

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. In this whole problem, is not our static situation in this country due partly to the fact that the people of this country know very little about the problem? They know very little about what is going on. They do not know the background of it. How many of them ever realize that it is just a few years since the Arab population came out from under the Turks?

Many years ago I was in Jerusalem on an Easter Sunday, when they tripled the guards of Turkish soldiers to keep peace among the Christians.

Monsignor McMAHON. Well, we have a way of fighting on feast days.

Mrs. BOLTON. What I am getting to is this: Is there not some way for your church and the other churches to see to it that there is more understanding of this problem?

Monsignor McMAHON. Among them, you mean?

Mrs. BOLTON. No, here in this country.

Monsignor McMAHON. Well, we try hard. I can shake hands with a good Quaker or a good Episcopalian any time.

Mrs. BOLTON. But you do not get to the people with the information.

Monsignor McMAHON. We do. We have done a lot of getting to the people.

Mrs. BOLTON. That is what I want.

Monsignor McMAHON. From the relief angle, we are running a voluntary program. It is awfully hard to get money. And in the beginning, when the United Nations started its official program over there, you may remember how hard it was for us to raise anything, because everybody said the United Nations was paying the whole freight.

Now, do you realize that the voluntary agencies have spent easily \$10,000,000, and they have given personnel more numerous than the United Nations?

Mrs. BOLTON. And some of the Arab States have given millions of dollars' worth.

Monsignor McMAHON. So it is not a question of trying to get together or of getting to our people. I have stumped this country for years to get aid for the Middle East. There is, as you say, an ignorance about the Middle East. The new State of Israel has focused our attention on the Middle East more than was ever done before.

I say candidly that I would like to see complete peace over there instead of an armistice, because it is a powder keg. And we do know of the need for security in that area.

Mrs. BOLTON. We need the security and friendship of those people.

Mr. FULTON. Could I say that I have noticed the church's program and believe you are doing fine Christian work. You are greatly to be complimented on all you have done in the Near East.

Mr. MANSFIELD. May I say something for practically the first time this evening?

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. Mr. Chairman, I think that we have had a very illuminating session here, with witnesses like Dr. Van Kirk, Dr. Pickett, and Monsignor McMahon. And I think they have given us a lot to think about. They have laid before us a lot of information that some of us, at least, did not know too well.

Monsignor, you mentioned the fact that the relief program undertaken by the church under your direction has been entirely voluntary.

Monsignor McMAHON. Yes.

Mr. MANSFIELD. And that you use to a large extent the indigenous population over there wherever you can to do the necessary work to carry on the program?

Monsignor McMAHON. Yes.

Mr. MANSFIELD. To what extent do you use Sisters?

Monsignor McMAHON. Well, in the schools and in the hospitals, especially in the hospitals. We have several big hospitals where we give free care to the refugees and poor. The Sisters get no recompense except their living quarters, their food, and the clothes they wear.

Mr. MANSFIELD. And are these Sisters from orders in the United States and other countries? Or are they indigenous?

Monsignor McMAHON. We have fine indigenous groups, and we have groups from many countries. In Jordan, for example, we have a completely indigenous group, Arabs.

Mr. MANSFIELD. It is safe to say that on the basis of contributions made by the church and the applications of those contributions under

your direction, that generally speaking a great deal more is being gotten for the church dollar than let us say for the UN dollar.

Monsignor McMAHON. I think that is of the essence. That is the only way we could operate. I as head of the mission have no salary, and the others are in the same situation. The Friends do the same thing on a purely voluntary basis, with just a living?

But we do have lay workers who are paid. These must be Palestinian refugees. For example, in our refugee schools the teachers were formerly such in Palestine. And we have undertaken considerable building in order to give work.

Mr. MANSFIELD. That is at least one way of giving a sense of independence.

And one final word: I want to say that even out in Montana where I come from, in our parishes out there once in a while we hear about the Near East, and we hear various kinds of requests. I hope, Monsignor, we have been doing our share.

Monsignor McMAHON. They do all right out there.

Chairman RICHARDS. Any other questions?

Mr. JUDD. Just one minor question: Regarding your statement about the 10 percent who are Christians, are they people who belong to families that for decades or centuries have been Christian—not recent converts?

Monsignor McMAHON. Oh, yes. You have crusaders' names among them.

Mr. JUDD. Are they largely in separate communities, or are they intermingled throughout the population?

Monsignor McMAHON. The Middle East is a great place for exclusivism. That is something that discouraged me as an American, but it is necessary. You see, they vote by community, and that was their form of protection under the Turks. This community life endures among the Arabs and it is to be found among the Jews. Just as the Arab Christians have their orthodox communities, their Catholic communities, so among the Jews there are the degrees of orthodoxy and the reformed. This seems to be Semitic.

Mr. VORYS. But these 100,000 are Semites?

Monsignor McMAHON. Yes.

Chairman RICHARDS. Mr. Javits?

Mr. JAVITS. I want to make one statement, very sincerely and deliberately: I would like to express my expectation and hope for peace in that area, and to assure you that I will do everything I humanly can to help bring it about.

Monsignor McMAHON. Thank you very much, Mr. Javits.

Mr. CARNAHAN. Mr. Chairman?

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. I would just like to say that I appreciate the information and the insight that Monsignor McMahon has brought to us, and the other gentlemen who spoke tonight. I would like to ask if your work has brought you in touch with both the Arab refugees and the Jewish refugees?

Monsignor McMAHON. Yes; because I have been in and out of the State of Israel as often as I have been in the Arab countries, and I have been in the State for a period of 2 or 3 months at a time.

This being a 3-year operation on my part, I have been all through the State of Israel and have seen Jewish camps.

So I think I am as well informed as to the living conditions on both sides as any man that has been over there.

Mr. CARNAHAN. I appreciate your statement from both sides.

Chairman RICHARDS. Thank you, sir, very much. We appreciate your coming in.

The committee will now stand adjourned.

(Whereupon, at 10:25 p. m., the committee adjourned until 10 a. m. the following day.)

THE MUTUAL SECURITY PROGRAM

FRIDAY, JULY 27, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding. Chairman RICHARDS. The committee will come to order, please.

Ladies and gentleman, before we go on with Mr. Bissell, here is the situation on the floor. We have the resolution terminating the state of war with Germany coming up at 11 o'clock. I do not think there will be much debate about it. It will probably take 15 minutes to decide it. The Clerk can keep us informed on that. I do not know how many members of the committee want to be down there. I know some do. Maybe we can get through with it in 30 minutes. I have not heard of anybody on the committee who has asked for an hour, except Mr. Javits.

Mr. VORYS. Is it an hour for the rule and then an hour for general debate?

Chairman RICHARDS. Yes. I do not think he will take more than 5 or 10 minutes on the rule. Then we will have an hour, and we want to cut that to a half, if we can. I know I have to be down there. If we have any trouble, we could let the members of the committee know. Two or three members have told me they would like to be there. Certainly I wish two or three from each side would be there. What do you say about that? I do not want to miss hearing Mr. Bissell either, and I do not want to cut into his time.

Mr. VORYS. Mr. Chairman, I think that is overdoing it, to have the same committee try to run a hearing and have a bill on the floor at the same time.

Chairman RICHARDS. I am against it.

Mr. VORYS. You are going to have to recess. The way we are going to find out if there is trouble is when we run into it.

Chairman RICHARDS. Suppose we go on as far as we can, then we will just recess until after lunch, or, we may be able to recess for 30 minutes.

Mr. Bissell, we will go ahead with your testimony.

STATEMENT OF HON. RICHARD BISSELL, DEPUTY ADMINISTRATOR, ECONOMIC COOPERATION ADMINISTRATION—Continued

Mr. BISSELL. Mr. Chairman and members of the committee—

* Chairman RICHARDS. I think you had gotten down to the figure business.

Mr. BISSELL. I was getting pretty close to the figure business.

I will try not to repeat myself, but I will ask for that privilege for about a minute to get this straightened out.

The first matter I discussed yesterday, on which I would like to be just as clear and concrete as I can, is the relationship of economic assistance to rearmament in Europe.

I would like to put the point in this fashion—

Chairman RICHARDS. That is a very important point.

Mr. BISSELL. Yes, sir. In order to rearm each of the European countries next year, it is going to be necessary to spend more money. We hope they will increase their military expenditures.

(Discussion off the record.)

Mr. BISSELL. The figures are all on these papers, Mr. Vorys.

Chairman RICHARDS. Are you going to submit the paper for the executive session record, or is that material restricted?

Mr. BISSELL. Most of this, sir, is not restricted in any way. There is one table in here in which certain of the figures are restricted, that is to say, they are available now to all members of the committee, but they should not be in the record.

Chairman RICHARDS. You mean, they should be in the executive session of the record so we could study them after this?

Mr. BISSELL. I think there would be no objection to that.

Chairman RICHARDS. We would like to have the whole thing in the record.

Mr. VORYS. Do you have copies of what is not restricted?

Mr. BISSELL. The figures are all in this paper that you have, this mimeographed document.

The only figures that I am aware of in here which should not be published are figures on men on active military duty, which is one line in one of the tables.

Chairman RICHARDS. I would like to say to the reporter that we want all these figures in the record. After you look over them, let us know and we will mark the ones that are not for publication.

Mr. BISSELL. I am not sure that we may not be able to release those figures for publication, but we cannot at this moment.

Chairman RICHARDS. Do the best you can.

Mr. BISSELL. Other than that, I think all the figures in here can certainly be put in the executive record, and I think can be published.

Mr. VORYS. Is that the same as this?

Mr. BISSELL. Yes; it just has a different cover. I am now looking, sir, at what is called the summary for 13 countries, their internal accounts.

I am sorry that the pages are not numbered.

Mrs. BOLTON. That would have helped mightily.

Mr. RIBICOFF. I wish next time they could be numbered.

Mrs. BOLTON. I think they should be tagged and labeled.

Mr. VORYS. And then we would not have to wait 3 weeks to find out where it is. We have a summary for 14 countries—

Mr. BISSELL. This is the table, Mr. Vorys, "Internal accounts, 13 countries."

Mr. VORYS. "Internal account projection"?

Mr. BISSELL. That is correct, sir.

Chairman RICHARDS. I wish the staff right now would mark these pages. You can go around and get them one at a time, if the members can do without them, because we really need that.

Mr. CRAWFORD. We will have to mark Mr. Bissell's, also.

Mr. BISSELL. Mr. Chairman, I am very sorry these were not properly marked. I am going to try to refer in my statement only to this page and the following one. I hope this morning we will not have any more trouble.

Mr. Chairman, the figures I have referred to are in the last line of this table, which we have discovered and identified with such difficulty, for military expenditures for this group of countries.

(Discussion off the record.)

Mr. BISSELL. These countries must also, of course, put more men under arms. You will notice in line 11, figures for the men on active military duty. Those are figures that are averages for the year. They do not give you information on any specific time. They are figures that are relevant for the economic case.

(Discussion off the record.)

Mr. BISSELL. In addition, in order to rearm, these countries, of course, have to expand their military production, because a good part of that increase in their expenditures goes to purchase goods and services, to pay for construction and the like, and they have to expand, as any rearming country does, their military consumption. In other words, more of their food, textiles, and so forth, go into military usage.

I can give you figures which are not in any of the tables that you have. I will give them in my testimony. As an example, included in this increase in military expenditures is an increased expenditure for major matériel from just under \$1 billion in the past year to \$2¼ billion in the new year.

(Discussion off the record.)

Mr. BISSELL. Those are simply the components of the total. That, then, is, expressed in terms that are relevant to the economic impact on these countries, what the job of rearmament means.

Very obviously, if these countries are to spend this additional money, increase their military production, put more manpower in their forces, this means that productive resources must be taken away from other uses, or productive resources that are now unemployed must be put to work.

It means that goods, and especially raw materials, have to be diverted from other uses. It means in more general terms that rearmament either has to come out of increased production or it has to come out of other purposes, that is, come out of reduced consumption and reduced investment.

A basic principle of the program that we have here laid out before you is that the extra European military effort must come substantially out of increased production. I want to come back to that later.

When we come to this country by country, you will find that in three of the countries, the Netherlands, Denmark, and the United Kingdom—

Mr. VOYTS. Say that again.

Mr. BISSELL. That the major part of their additional military effort has got to be met out of increased production rather than out of reduced consumption or reduced capital investment.

(Discussion off the record.)

Mr. BISSELL. We expect that the best measure of the total increase in production in the whole group of countries is the increase in their gross national product from year to year. That is shown in line 1 of the table.

As you can see, that is an increase of approximately \$7 billion. There is a major part of that that goes into the increased military expenditures that I have already mentioned.

Another part of it goes into increased consumption, largely in Italy and Germany, the two countries I have mentioned.

I repeat, I want to come back and say a word or two more on this point in just a moment. But, first, let me go on from there.

As I mentioned yesterday, sir, these countries are, all of them, in varying degrees, dependent on foreign trade, but all of them much more so than the United States.

For that reason, increased production across the board, which is what we believe to be essential if the countries are to rearm, inevitably means increased imports.

In fact, in terms of constant prices, that is, ruling out the effect of price increases, it is our belief that their imports from the rest of the world will have to increase by approximately \$500 million from the last year to this. This figure is not in the table before you. I am reading from a table that I have for my own testimony.

The increase is from approximately \$0 $\frac{1}{3}$ billion of imports in the fiscal year just ended to a little over \$1 $\frac{1}{4}$ billion of imports in constant prices in the new year. That increase, including the United Kingdom, from all sources, is about a quarter of a billion dollars. I think I gave the figure incorrectly a moment ago.

The major part of that increase is an increase in imports which will have to be paid for in gold and dollars.

Mr. VORYS. You have given three different ones. The increase from 11.1 to 11.250 is 150. You said 500 million, 250 million, and your subtraction of the two figures gives 150 million.

Mr. BISSELL. I will give you the exact figures, Mr. Vorys. The exact figures are 11.134 to 11.278—you are right—which is approximately \$150 million increase in constant prices.

The part of that that is in gold and dollars is from \$4.250 to \$4.775 billion, approximately, a \$225 million increase in imports that have to be paid for in gold and dollars.

I think it is not necessary for me to expand at length on the reasons why this kind of an increase in imports must necessarily accompany a general increase in production, industrial and agricultural, in these countries.

For this group of countries as a whole there is approximately a dollar of imports from outside of Europe, that is, from the rest of the world, for every \$10 of their gross national product.

Since that gross national product, their total production, is increasing by about \$7 billion, on the whole this increase in imports that I have just mentioned to you, is an extremely modest one, and far less than the increase that would come about if they did not economize on their imports in every way.

Mr. JAVITS. Would you mind a question? I gather that the \$500 million you are talking about comes with the necessity for gold and dollar imports, because they are going to buy different things, let us say, tin, instead of something else?

Mr. BISSELL. That is right.

Mr. JAVITS. Who is that going to go to?

Mr. BISSELL. I can give you the—

Mr. JAVITS. I do not mean in the table. What is the principle involved; where is the money going?

Mr. BISSELL. Most of the increase in the money they spend in gold and dollars for imports will go to this country, Canada, and Latin America. Some of their imports from other parts of the world will be in there, but in the main their imports are from the Western Hemisphere.

Mr. JAVITS. Can you give us a schedule of that, so we will know how much we are going to get back?

Mr. BISSELL. I can do that.

(The information requested has been supplied for the executive session record.)

Mr. VORYS. Just a minute. I do not gather anything like you gathered. I gathered \$500 million was a mistake.

Mr. JAVITS. I think I understand it.

Mr. BISSELL. The \$500 million was a mistaken figure, Mr. Javits.

Mr. JAVITS. What about the \$4.2 billion and the \$4.7 billion?

Mr. BISSELL. I am sorry. That is the figure for gold and dollars.

Mr. VORYS. That leaves 225.

Mr. JAVITS. It is \$500 million.

Mr. VORYS. He had \$4.2 billion to \$4.7 billion, which equaled 225 additional gold imports.

Mr. BISSELL. My subtraction is wrong again, Mr. Vorys. That is \$4.250 to \$4.775. Those are the correct figures.

Mr. JAVITS. As I understand it, they are buying different things that take more gold and dollars than they had to use before, although the aggregate has only increased \$175 million, the things for which gold and dollars are needed have increased \$500 million?

Mr. BISSELL. That is correct. Generally, as to the composition of Europe's imports, I think the committee knows they are predominately food and raw materials. It is for that reason that an increase in imports is necessary if there is to be a general across-the-board expansion in industrial production.

The reason is, in short, if there is to be more industrial production in Europe, Europe has to import more raw materials. Most of this increase is in raw materials rather than in foodstuffs.

A second consequence of the increase of the rearmament process in Europe, the increase in production that we believe to be necessary to sustain it, and the diversion of resources and of goods to military purposes, is to limit the possibilities for an increase in exports in Europe.

Specifically, rearmament will directly divert and use economic resources that would otherwise be available to produce exports. The examples of that are clear.

Rearmament means, among other things, large domestic orders for the metalworking industries in those countries, as it does here.

Those so-called engineering trades have been among Europe's largest earners of foreign exchange.

We have allowed for a sizable increase still in the export of the so-called engineering industries, notably from Germany, where there is unused capacity. But in most of the countries of Europe, those exports cannot increase, they cannot even be maintained.

Moreover, rearmament will indirectly affect the ability of Europe to export, mainly because rearmament is going to generate inflationary pressures in the European countries, as it does here.

Those inflationary pressures, which in specific and concrete terms simply mean a seller's market within the European countries, obviously will suck resources into their domestic markets and make it much more difficult to maintain exports.

Mr. CARNAHAN. Let me ask here if I get you straight. Is the purpose to reduce exports or just prevent the exporting of the extra production that you are aiming at?

Mr. BISSELL. Substantially, sir, we believe this will prevent the export of the additional production. Actually, and I will try, Mr. Vorys, to quote my figures with a little less confusion this time, we believe in terms of constant prices, exports from the whole group of countries will decline, but only from \$8.2 to \$7.9. In other words, about \$300 million.

All of that decline is substantially accounted for by the United Kingdom which, as you know, is not a recipient of any aid. If you are to leave the United Kingdom out, there is in fact a small increase of exports. This is to all destinations outside Europe itself.

If you turn to the gold and dollar trade, the decline in exports from this whole group of countries, including Britain, is from \$2.450 billion to \$2.380 billion, a decline, you see, of \$70 million.

Leaving out England again because it is not proposed that that be a recipient of aid, the decline is much smaller. It is from \$1.422 to \$1.406 billion.

What we are allowing for here, and hoping, is that the European countries can substantially maintain the physical volume of their exports.

The continental countries will slightly increase the physical volume; the UK will slightly decrease the volume. But the facts which I have mentioned would prevent what would otherwise be a substantial increase.

Mr. CHIPERFIELD. I have not gotten beyond the first paragraph of that document. Under I, National Accounts, interpret to me that last line, "1 divided by 9a divided by base year." What does that mean?

Mr. BISSELL. It means the figure in line 1 for gross national product divided by the figure in line 9a, which is employed labor force, and that in turn put in terms of an index to show the change in output per man.

Mr. CHIPERFIELD. "2, net foreign balance on current account in all currencies." It says, "Total, plus is deficit; minus is surplus." Read the last line of that, "Resources received from plus or contributed to minus OPC, 6b (2)." What does that mean?

Mr. BISSELL. Mr. Chiperfield, there are no figures on line 2b, and I think we could drop that entirely out. On 2a, the first line of the figures that is actually here measures the deficit or surplus in the total foreign trade of these continental countries.

There is a reason, which I think is not too illogical, for saying we will call a deficit a plus. We are considering this as a measure of the inflow of goods added to these economies.

Therefore, when they have a trade deficit, which means they are importing more than they are exporting, it means we, or somebody

else, are adding to the total goods that are available for rearmament and other purposes.

And for this particular purpose we have shown that as a plus item. It is an increase in the total volume, the total flow of goods and services that can be used for various purposes.

Mr. CHURFIELD. I graduated from Harvard, but I guess I was only exposed to it.

Mr. VORIS. Can I ask a question? There are two tables here headed at the top, "Internal accounts projection, amounts in million dollars, footnote 2." One starts out, "Gross national product, base year, 1930-51, 133,460; 1951-52, 140,510," and the next page starts out, "Gross national product," with the base year 1930-51, 99,668 and 1951-52, 103,701.

That 103,701 figure is the figure that has been used in other tables we have been furnished to compare with the figure of 330 which was estimated for us.

Mr. BISSELL. The second of the two tables you refer to, sir, covers the non-NATO countries. The first one covers all of the participating countries.

There is under footnote 1, on each table, a list of the countries covered. The first table includes Austria, Germany, Greece, and Turkey, all of which are omitted from the second table. Of course, Germany is the largest and most important of those that are omitted.

The two tables are parallel in every respect, but they cover the two sets of countries.

Mr. VORIS. Is the first one, roughly, ECA, and the second, NATO?

Mr. BISSELL. That is correct, sir. There are certain ECA countries that are omitted even from the first table, notably Portugal and Sweden, because aid to both those countries has been suspended.

For that reason, we thought it was not necessary to include them here.

I would like to continue and complete very briefly my initial remarks.

I think I can summarize what I have said about exports and imports in this fashion. The specific and concrete purpose of economic support to these European countries next year is to enable them to expand their imports by the amounts that I have indicated. Unless this is possible for them they will not be able, we believe, to achieve the general increase in production that I have also referred to in these figures; and we believe that rearmament will be impossible.

One could put that in more general terms and say it is to enable these countries to draw on the resources of the rest of the world to add to their own. I prefer the concrete form of statement that I have used.

In my explanation of this point, I have, I think, passed over what is really the basic question on which you will have to pass a judgment in deciding whether our estimates are acceptable or not, that is, the question why it is the Europeans cannot do more out of their own resources.

Concretely, why is it they cannot take more out of their own consumption or more out of their own investment? Why cannot they do more of this by simply diverting the flow of goods and services instead of expanding production as a whole?

There are, briefly, three reasons, I believe, why they cannot do more. I think these are the crucial points in this case.

First of all, in certain countries especially, although this applies in some degree to all of these countries, we believe it would be impossible for them to cut consumer goods production below the general levels here indicated without having serious internal inflation, with all of its inevitable consequences.

The countries to which this particularly applies are France, Belgium, Germany, and Italy.

The circumstances, of course, vary from country to country. You will notice, if I may refer again to the one table I have been referring to, that we believe these countries are going to have to increase their budget deficits. This is shown in line 13 as a total for all of them, from approximately 3 billion in the year just ended to nearly 5½ billion in the new year.

Naturally, that judgment about the increase in their budget deficits rests in turn on a judgment about the amount of money they can collect in taxes.

As you will see from line 12 of that table, we believe they can increase their tax revenue from \$30.7 billion to just under \$34 billion. That figure for 1951-52 is going to be about 24 percent, or just under a quarter of their gross national product, taken in taxes.

It is equivalent in this country to about \$75 billion of taxes, although, of course, the figure is not perfectly comparable by any means with merely a United States Federal tax figure. I do not want to suggest it is. That will give you some idea of the order of magnitude.

It is our conviction that for a variety of reasons, which I think are better discussed country by country, that this is about the practicable limit of the taxes that can be raised in these countries. And, therefore, to build their expenditures up as much as shown, their budget deficits will have to increase in the fashion indicated.

Not only is that an important factor in the inflationary situation in these countries, but there is another that is related to it. In especially the four countries that I have mentioned, France, Belgium, Germany, and Italy, there is going to be either a sizable increase in the number of people employed, and that is true of Germany and Italy, where there is a lot of unemployment, or there is going to be a sizable increase going beyond that in the number of man-hours worked, and, therefore, in wages paid out.

In both Belgium and France, there is considerable concealed unemployment or underemployment. People are going to be working longer hours. People are going to be drawn from agriculture into industry. Very probably agricultural income in those countries will be higher. Therefore, given limitations which exist, I submit, gentlemen, in any democratic country, to the extent to which taxes can be used to hold down the increase in consumers' income, and taking into account, especially in these countries that I have mentioned, of increases in consumers' incomes that will come about even if there are very small wage increases, we believe that heavy inflationary pressure is going to be generated.

It is basically for that reason in two of the countries, Germany and Italy, that we believe we cannot get a large expansion in employment, and a large expansion in production that we project, an increase in

total production of 10 percent in the case of Germany, and 5 percent in the case of Italy, that we cannot get those increases without a sizable increase in consumer income and a significant increase in per capita consumer income.

Broadly speaking, the result that we hope will be accomplished in especially those countries is that the standard of living of the people now employed will be held just about level, and that the increase which appears statistically as an across-the-board increase in those countries in their standard of living will reflect merely the effect of compensation for longer hours, and mainly of the reemployment of labor that is now unemployed.

Briefly, then, the first point is that if the countries achieve the results that are embodied and described in these illustrative figures they will have gone to approximately the limit of their ability to refinance rearmament without disastrous inflation.

What inflation has done in Europe since the war, I think all of you know pretty well.

The judgment I wish to express is not what is in the interest of these countries, and not what is a matter of fairness and equity, but that it is not in our interest if we want them to rearm to try to drive them to financing a scale that will mean serious inflation internally.

The second point I want to make also has to do with the standard of living. It is that even if the standard of living could be further cut, for instance, by raising more in taxes, or by the reimposition of rationing and other controls, it is our belief in general that the standard of living could not be reduced below the levels indicated in these figures without serious danger of internal aggression.

I think you have already had figures in previous testimony on per capita income in these countries as compared to the United States. I believe you have already had testimony to the effect that by and large their standard of living has been just about restored to the level of 1938.

You are, therefore, dealing with countries which for 14 years, by and large, have had a standard of living part of the time disastrously reduced, and all of the time below the level they reached in the late 1930's.

It is because of that low absolute level, and the long strain which has been aggravated in these past years by the distortions and the maldistribution that follows from inflation, that we believe that this also sets a sharp limit on what they can do.

The third reason why we believe the Europeans cannot do more out of their resources is, to my mind, perhaps the most important of the lot. I would like to put it this way: We are planning in this entire program for the long pull. In spite of the motives sometimes attributed to bureaucrats like myself, I think you will agree that we do not want, if Europe is rearmed 2 or 3 years from now, to have to have another Marshall plan and have economic recovery all over again.

Moreover, we do not want to get through the military build-up that Mr. Ohly and General Olmsted described yesterday only to find that we then have to continue indefinitely supplying, for instance, ammunition and spare parts in order to keep the Europeans rearmed.

What we are obviously driving for is a state of affairs 2 or 3 years from now when the Europeans can sustain their own military estab-

ishments with rapidly shrinking military aid from us, and where they can do so without in the meanwhile having again wrecked their economy.

Those are fine generalizations. What do they mean specifically?

What they mean specifically is, first, we believe that the Europeans must not be encouraged to, and must not be compelled to allow their capital assets, I mean their physical assets, their agricultural plant, their industrial plant, to be used up and go to pieces under the strain of rearmament the way it did, and quite properly, during the strain of wartime.

During the war in Europe, in the European countries, notably, of course, in England, and here, we used up our capital assets. We could not afford the resources to make good obsolescence and depreciation.

Since the war one of the processes that has been going forward in Europe, as here, has been the rebuilding of those capital assets. It is most important that the Europeans should not again be under pressure to use up their capital; indeed, it is most important they should continue to expand their economic base. By that, I mean specifically their industrial facilities and their agricultural facilities.

They have hardly made a dent in making up the need for housing that was not built during wartime. We do believe during these years immediately ahead the Europeans should set a very, very sharp limit on the resources they put into rebuilding their housing, as one example. We do not think they can halt that entirely.

Broadly, we believe in Europe, as here, it is essential, if this is a plan for the long pull, if we are not going to be coming back to you gentlemen for the indefinite future with this kind of a plea, that the Europeans not only expand their production for the next 3 years, but that they keep on expanding their production for the indefinite future.

I believe it is fair to say the general expectation that has been given to the American citizen is that if we do not get into world war III, we are going to have to have some privations for a period of 2 or 3 years while we are building up our Military Establishment. But at the end of that time we will have so expanded our total productive base that we can maintain the necessary military strength in being, and again enjoy a steadily rising standard of living.

I believe the Europeans have to have that same hope held out to them; that if they do not, the danger that we are courting is—I will not call it by the overdramatic term "internal aggression"—a state of morale in Europe so low that their real value to us as allies is largely lost.

It is for that reason that we feel that the process of building up of Europe's physical assets that that must not be too sharply interrupted.

What, in fact, we have provided for is a continuation, at approximately the rate of the past year, of investment in Europe. Within this level of investment Europe must begin to provide facilities to produce spare parts, to produce ammunition, and to gradually begin to expand its production of heavy military equipment.

All of that military investment we believe should be met by cut-backs in nonmilitary investment. But, broadly speaking, we think that that is as far as the Europeans can safely be pressed, not in their interest, but in our own interest.

I am sure the bearing of these points on the need for aid is obvious to you. But let me sum it up this way: In our own strong interest the Europeans should expand production, which means more imports of fuel, raw materials, at least the same imports of foodstuffs.

It is clearly not desirable that they should be compelled to save on imports in the ways that they could, by cutting their diet, by cutting imports of feed, which would cut agricultural production, or by the very drastic cuts in the standard of living which would be necessary if they were going to save on imports of raw materials in that way.

It is clearly undesirable that they should be under pressure to expand exports at the expense of a drastic cut in their capital investment, which is what I have just been talking about.

Therefore, to phrase what I have stated here, the purpose of our economic aid is to enable the Europeans to import on the scale and to export on the scale that will allow them to rearm, and at the same time maintain their diets, maintain a minimum standard of living, and continue the expansion in their production.

I would like to end this, sir, by saying I think there is a slightly negative sound when you are talking about where can the Europeans cut back, why can they not cut back more; why is it we have to step in and maintain their ability to import; why cannot they earn more for themselves?

I want, therefore, just to mention two or three things which I would call the affirmative expectations that we have of the Europeans, if you like in another sense, affirmative purposes of this program.

Broadly we think that in our negotiations with the Europeans concerning the provision of economic aid, and I would suggest even of military aid, we must assure ourselves that they will take approximately, roughly, the following steps to minimize the burden on us and to maximize their own contribution:

We believe they should limit any increase in the standard of living effectively to that required by reemployment, or the fuller employment of their working force.

We believe that given an effort of the magnitude we have here outlined, they have to tax, to restrict credit, to impose controls, if they need to, to whatever extent necessary to control inflation.

We believe they must agree to limit the uses of scarce materials and and scarce items like machine tools just as severely as we do in the United States. Also, they must act as decisively as we do to channel scarce materials and essential items like machine tools into essential purposes.

Mr. GORDON (presiding). Will you pardon me just a minute, Mr. Bissell? Mrs. Bolton, maybe you will want to wait until we have to go to the well. We have someone watching and you will be notified at the proper time.

Mr. BISSELL. I am just about through with this. We believe the Europeans must limit the increase in their imports to an increase substantially less, as the figures I quoted earlier suggested, than that which one would normally expect from the increase in production in Europe that we hope for.

In spite of the pressures of rearmament orders on their engineering industries, and in spite of raw material shortages, the Europeans should substantially maintain their total exports to the rest of the

world, and their export earnings which, of course, is the complete opposite of what they would do under the pressure of wartime.

This, concretely, is the kind of management by the Europeans of their total resources that, generally speaking, should be the condition of their receiving substantial aid from us.

If they are successful in managing their resources in this fashion it is our view that the results will be—the results in terms of production and in terms of their trade and in terms of their military expenditures and buildup will be of the sort that we have discussed and outlined today.

Well, Mr. Chairman, that is a good breaking point for me. Whenever the committee wishes, I think I should touch on the point, if you like, of unfinished recovery business, which I had just mentioned yesterday. I will glad to mention figures on that but it may be better to postpone that until we are in the course of questioning.

Mr. GORDON (presiding). I believe we will have to adjourn right now to answer our roll call. As I understand it we will continue when we get through answering the call, and will meet again here.

Mr. JAVITS. I think there is a resolution on the floor which we should be present for.

Mr. GORDON (presiding). That is right. We will have to adjourn then until about 2:30.

Mr. HERTER. I wonder if we could meet at 2 o'clock.

Mr. GORDON (presiding). Will you be back here at 2 o'clock?

Mr. BISSELL. Yes, sir.

Mr. GORDON (presiding). That will be fine. Then we will recess until 2 o'clock.

(Whereupon, at 11:25 a. m., the committee adjourned until 2 p. m. the same day.)

AFTERNOON SESSION

The committee reconvened at 2 p. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

I will call the attention of the committee to the fact that these aid estimates have been numbered. I think we will be able to find our place a little better now. The staff has attended to that.

Mr. Bissell, will you continue your testimony? I am sorry I did not hear all of your testimony this morning.

Mr. BISSELL. Mr. Chairman, may I say I just spoke to our general counsel, who, with some of our staff, was numbering these, and what he said to me about the state of disorder of these papers was worse than anything the committee could have said.

I would like to apologize on the record for putting what was really a batch of working papers before you. I hope from now on, or on other occasions, this will not happen.

Mr. FULTON. I move those remarks be stricken from the record.

Chairman RICHARDS. I move that the remarks be taken down.

Mr. BISSELL. I will speak to only one other point, Mr. Chairman, which is on the question of how much of the economic aid proposed for next year can properly be said to be a continuation of the Marshall plan and recovery, and how much of it is in support of rearmament.

Chairman RICHARDS. Now you are getting down to what I want to know.

Mr. CHIPERFIELD. During the recess I discussed a point with Mr. Bissell, whether we could use counterpart funds to pay for some of the military items.

You remember a witness the other night suggested that. He said that he would comment on that situation.

Chairman RICHARDS. Maybe you would like him to comment before he goes on to the other.

Mr. CHIPERFIELD. It is along the same lines.

Chairman RICHARDS. It is along the same line? Maybe you had better answer that first, Mr. Bissell.

Mr. BISSELL. Mr. Chairman, I discussed this a little with Mr. Chiperfield. I think his question goes to the heart of the whole problem of bringing about and securing a full use of European productive facilities to lessen the burden on our own.

I hesitate to recall to the members of the committee some of your questions on minesweepers, and whether we could not make fuller use of European shipbuilding.

The answer is, of course, we could do that. I mean, there is unutilized shipbuilding capacity. Mr. Chiperfield's question went to other items in other countries, but I think it goes to the same principle.

I feel there are several moves but two in particular we should make, beginning immediately, to try to secure a full use of this capacity.

By the way, I would like to say to you, sir—this is my own view; Mr. Ohly may have another view to express—we should plan, beginning very promptly in the year, to use some of the funds that are appropriated to provide end-item aid to Europe for the purpose of making purchases of military end items in European countries.

There are two items that General Olmstead mentioned yesterday, ammunition and spare parts, to which I think that is peculiarly applicable.

I think all of us believe that the European countries could produce more of those items physically. That does not mean the limitations I outlined this morning do not apply to their ability to finance them, the extent to which we could expect them to carry this out of their own resources with the drain on their resources, but physically there is no doubt they could produce more.

I for one would like to see us begin immediately, or as soon as we can, to use some of our end-item funds to procure such items as a part of our military end-item aid in European countries that have excess capacity.

I would like to point out to you by so doing I believe we could make some net saving in our aid to these countries.

If, for instance, we go to Belgium and place a contract for \$20 million worth of some military end items, the Belgians are going to have to use a portion of that money, and it is very difficult to guess in advance how much of it they will need, to import the raw materials they need for their production, perhaps to buy some machinery over here that they need for it, or possibly just to import more general commodities to offset the increase in incomes that are paid out in the process.

But there is very little doubt in my mind that the Belgians would not need to use by any means the full \$20 million in my illustration for that purpose.

If we place a contract for, say, \$20 million, that involves them in additional foreign exchange costs of, let us say, \$10 million, and then the other \$10 million can be a net saving, because the Belgians would require that much less economic aid as a result of this transaction. In other words, they would be selling \$20 million worth of goods for dollars, and half of that could result in a net saving of economic assistance.

We, of course, would take that into account, and should, in economic aid going to Belgium. That is one thing we ought to do.

That is not directly responsive to your question. I think there is another thing we ought to do. As a matter of fact, we propose to start this immediately, even if we have another continuing resolution for the month of August.

I believe in quite a number of these countries, not all of them, for reasons I will mention, we should make it a condition of granting allotments of economic aid, that the counterpart funds be earmarked, I would say, preferably for use by the North Atlantic Treaty Organization itself for the procurement of certain military end items.

Chairman RICHARDS. That is not in the proposal we have before us now, is it?

Mr. BISSELL. I am not sure that that would not be permitted by the proposal you do have.

Chairman RICHARDS. That is what I wanted to know.

Mr. BISSELL. I believe it would be permitted. I believe one additional amendment would be required.

Chairman RICHARDS. It is permitted, but it does not earmark, say, the counterpart funds for a percentage amount?

Mr. BISSELL. No. What I am proposing is that we should begin to do this under that permissive authority in our negotiations with the countries.

Chairman RICHARDS. Under this permissive authority?

Mr. BISSELL. Yes. Perhaps something further would be necessary.

Chairman RICHARDS. You do not want to make it mandatory?

Mr. BISSELL. I will come back to that in a moment. At least, this is what I think could be done and should be done.

I would like to see us insist—the United States Government as a whole—that at least some part of the counterpart of our economic aid should be deposited by these countries in a central fund that would then be used to expedite military procurement in Europe for certain specified end-item programs.

Again, my proposal would be that—I think this is General Olmsted's business rather than mine—we concentrate on these programs of ammunition and spare parts in Europe, using both dollar funds and counterpart funds.

My hope is that if we combine these two actions we could secure a very much fuller use of European productive capacity. If we did it carefully, we could accomplish that result without unduly increasing the burden on our allies.

I might point out even in this use of counterpart there is a real possibility of some net saving in our bill, for in this way we can induce the countries to pay for more military production out of their own resources than is presumed in these figures. Then, again, there could be some saving in the end items that we supply them.

I would like to give this warning: Rightly or wrongly, and I assure you without any authority or encouragement from us, most of these European countries are counting on using a good deal of the counterpart they hope to get next year to ease their budgetary problem.

If, let us say, the French Finance Minister has counted on getting \$200, or \$300, or \$400 million from us in dollar aid, and in getting the counterpart to count against his budget, and if we now go and tell him that he cannot use it for anything in his budget but that he will have to use it for additional expenses, that will in fact be an added burden on that country, and he will so regard it.

If you say, "Should we do it anyway?" my answer is a very simple one. In some countries where I think the load is less than they could afford to take, we should insist on it.

When we run into a situation in one of these countries for the reasons I discussed this morning, we dare not in our interest try to put a heavier load on them, then I think obviously we should not try to do it in this way.

(Discussion off the record.)

Mr. BISSELL. So that would be my present very rough guess, there are countries where we ought to try to insist they use counterpart for this purpose, in addition to what they are now doing in their budgets, as distinguished from the countries where that would be somewhat dangerous.

I repeat, to sum up, I think these two devices together, placing some counterpart in a central fund for procurement in Europe for military items, coupled with some use of our dollars that are earmarked for end-item procurement, to procure in Europe, I think they would both get a better use of European facilities and promise some net saving to us.

Mr. Chairman, if I may, I will finish up with this point, on what is unfinished Marshall-plan business, and what is support of rearmament.

I think I can cover this very quickly, and put some figures in the record for you.

Chairman RICHARDS. Let me ask this, because that is so important, and we have been trying to get at it for a long time, could you segregate the amount of economic aid, as such, the amount to be used for military production and the amount of your estimate—there is some in the middle there that I do not see how you could designate, it is a kind of floating thing that you might use for either. If you could just tell us about those things, I would appreciate it.

Mr. BISSELL. I would be glad to give you some figures. May I explain them this way? I know that other witnesses have told the committee why this is a difficult division to make. It is a difficult one to make even in theory and concept. I will not enlarge on that.

The only way I know to answer this question is to give you my estimate of the amount of aid these countries would require, if they were not rearming on any larger scale this year than they were last year.

May I just warn you of this fact: The results of the Korean War have done two things to these countries.

They have imposed on them a rearmament burden, which I have been talking about and others have to you for days. But you must remember that has also enormously affected the problem of selling

exports. The reason that Europe is selling a lot of steel in the United States today, scrap, certain nonferrous metals, and the like, is because we have a boom here that is largely the result of our own rearmament and, therefore, the whole problem that we had before you 12 months ago of how do the Europeans expand their sales has been largely solved.

Chairman RICHARDS. I am sorry to interrupt you there. I want to say there is a vote on the rule for the tidelands bill.

Mr. BISSELL. The figures that I am going to give you, sir, are these: The aid that these countries would require if the boom we were having in this country last summer had continued—in other words, if they had a good strong market in the world as a whole outside of Europe in which to sell their exports.

Chairman RICHARDS. I will tell you what they will want on the floor. They will want an estimate or how much would be in each category of this bill, of the figure we have here.

Mr. BISSELL. Let me give you these figures, if I may, and then try to explain them.

As I say, this is my estimate of what these countries would require if they were not rearming any more than last year. The total we would estimate is \$672 million.

I will read off, if I may, the figures. I will compare them by countries.

Chairman RICHARDS. The \$672 million, is that economic aid?

Mr. BISSELL. Yes.

Chairman RICHARDS. For military production?

Mr. BISSELL. No.

Chairman RICHARDS. All over?

Mr. BISSELL. That is the total Marshall plan kind of aid. If we were having the fourth year of the Marshall plan, with favorable market conditions in the rest of the world, I think we would be asking you for \$672 million.

I would like to give it to you by countries.

It is \$145 million for Austria. That is exactly the same thing as is before you. If you want, you can interpret that as saying for all practical purposes all the aid to Austria is unfinished Marshall plan business; \$80 million for Denmark. Nothing, by the way, for Belgium, as against \$50 million in the bill before you.

I might say, I do not want to take the committee's time for an extended comment, but Denmark has one of the highest standards of living in Europe, and is therefore suffering to a very small degree from certain kinds of strains. They have run into serious difficulty in marketing their exports, and that is why we believe they need more than half the aid we are proposing.

The next figure, \$50 million for France, as against \$200 million.

By the way, in the case of both Denmark and France, it is our view that after this current fiscal year, 1952, they would not, in the absence of rearmament, need any further aid.

Germany, \$100 million, as compared with \$175 million in the proposal before you. The reason that Germany would need that much is that if there was no rearmament Germany could build up her exports and dollar earnings quite a lot more than is shown in these figures.

You must offset against that the fact that we would have very much

smaller United States military dollar disbursements and expenditures in Germany than are allowed for in the figures that are before you.

In the case of Germany, they would have earned more by selling goods outside their borders, but they would have earned quite a lot less by acting as host to the United States military forces.

The next is Greece, \$175 million, as compared with \$250 million in the proposal before you. In the case of Greece, I think the whole committee is familiar with the reasons why that is one of the most acute economic problems and I will not enlarge on it.

The fact that Greece has to maintain as large a military establishment as she does at present, and has to give up or halt the demobilization of her armed forces, is basically what accounts for the difference in the 250 which is before you and 175 figure I have just quoted.

For Iceland, \$8 million, which is the same as the figure before you. There, again, I would say the problems are really little affected by rearmament.

For The Netherlands, \$60 million, as compared with \$155 million in the present proposal. There, again, the point that I think should be mentioned is that The Netherlands had a big population increase. They have lost a very rich dollar-earning possession since the war, and we believe that is one of the most intractable peacetime trade problems we face.

Nothing for Norway. For Trieste, \$4 million, the same as in the bill before you.

Turkey, \$25 million, as against \$70 million.

In the case of the \$75 million for Italy, and \$25 million for Turkey, I would say that those two figures have this in common: They would be needed in the absence of a major military effort in those countries, not so much for an acute foreign exchange problem as to permit a continuation, at least through the current year, of some capital development, agricultural development projects in southern Italy, and in Turkey as well.

Chairman RICHARDS. Will you compare those funds last year and this year?

Mr. BISSELL. Italy was 275 in the figure which is before you, and 75 if there was no rearmament.

The total is \$672 million, unless my addition is bad.

Mr. Chairman, I would like to add one more word on this. I would guess that some of the committee members may have this question in mind. Suppose we could have gone through the fourth year of a peacetime Marshall plan with this sum of money—where would we stand at the end of this new fiscal year, the terminal date of the Marshall plan?

I will answer this by saying, in our view we would still, beyond the scheduled end of the Marshall plan, need to provide some aid to Austria, Greece, Iceland, and Trieste, unless it were completely incorporated in Italy—

Mr. CHIPERFIELD. Will you comment on Iceland? Where is there a need in Iceland for \$8 million?

Mr. BISSELL. I think, Mr. Chiperfield, the problem in Iceland is almost wholly what I would call a peacetime nonrearmament problem.

Briefly, I would say two things have happened to Iceland. As a result of our wartime expenditures there, their standard of living was

raised rather sharply to a level which I do not think they can sustain in the long run out of their own resources. And other dislocations were introduced that they have never coped with.

Another thing, it is a country that has lived entirely on fishing, and since the war they have had only one good herring catch. They have had more competition in that industry. The industry is a one-crop industry for the country.

Mr. CHIPERFIELD. If those crops continue bad, are we going to continue Marshall plan aid every time they have a bad fish crop?

Mr. BISSELL. What we are doing is pretty nearly that. My answer to you would be that I profoundly hope if we had our Marshall plan and no rearmament we would not go on into the indefinite future with that country.

There are certain specific projects on foot that we hope over a period of years would enable them to pay their own way. I also have to say to you that I think this is a very, very difficult political problem—put it this way—an economic problem that gives rise to a political problem with overtones of a strategic problem.

There is an element of continuing relief which, in the absence of rearmament, would have to go on for some years in that country until we could build up wholly new methods of producing wealth or until they could gradually shake down their standard of living.

It may be that our policy as a Government should be to discontinue that sharply and force an economic readjustment. I do not particularly want to express an opinion. I am sure you can imagine as well as I can the kinds of issues that that choice would raise.

Mr. FULTON. Is it not a fact that we vitally need those bases in Iceland, so we look at that first and then we must do the things that will keep Iceland going, regardless?

Mr. BISSELL. I think, Mr. Fulton, that is exactly what the situation is. But I do not want to try to pretend to this committee that if it were not for that issue, if we did not have the situation in the world as we do politically and militarily, that it would be justified in our self-interest. It might be as charity.

(Discussion off the record.)

Mr. BISSELL. I started to say, Mr. Chairman, that for the year after this current fiscal year, after the scheduled end of the Marshall plan, it is our feeling that aid would be required for Austria and Greece on a considerable scale, and on a modest scale for Iceland, Trieste, and possibly some for Germany and Italy.

I will go into the figures if you want to, but the major part of this is as follows: The rough figures we have put down are \$100 million for Austria, \$100 million for Greece, probably \$25 million to \$50 million for Italy, \$5 million for Iceland, \$3 million for Trieste. It is very hard to say what the German position would be.

I think the members of this committee may remember that in almost all testimony for the past 2 years we have emphasized our fear that at the end of the Marshall plan, even if it were by our standards pretty successful, there would be one, or two, or three very weak economies in Europe that would require continued support beyond the end of the Marshall plan, even if we did not have the rearmament problem.

I think this is a somewhat academic discussion because we are facing a different situation. I want to say to the committee that the original enterprise could have been tapered off.

You understand I am not suggesting this would have been the basis for continuing a European recovery program as such.

As I think Mr. Hoffman and others have testified in previous years, my feeling is if we had an Austrian problem, a Greek problem, possibly an Italian problem, that matter would have been handled as separate issues on a continuing decline scale, if the Congress had decided to go ahead with that at all after the Marshall plan.

Can I come back to your question? You said that what you really want to be able to state is, How much of the funds we are proposing can properly be said to be for recovery purposes.

I have to say, sir, that I cannot give any better answer or any different answer in figures than I have already given.

In Austria it is happily simple and clear; in Iceland the same. I am saying virtually the whole amount of money we are proposing is for recovery purposes.

Chairman RICHARDS. All right. If I were against this proposal and just out of the fifth grade, instead of the eighth grade that I did get out of, and I were down there on the floor, the first thing I would be asked, when I said, "Yes, we are winding up Marshall plan aid; most of this stuff is economic production for military purposes," would be, "How do you figure that? What do we do? This is neither fish nor fowl."

You have that no-man's land in there. Somebody has to give us an estimate of what this stuff is, whether it is to support the military program or whether it is bona fide economic aid unrelated to the military program. If we do not, we are going to be in the hole.

Mr. BISSELL. May I take a specific case, Italy, for an illustration, Mr. Chairman, and give you as straight an answer as I can.

I have given you now two figures. We are requesting \$275 million for Italy in the proposal before you, and I said a few moments ago that we thought that \$75 million would be needed if there were no rearmament going on in Italy.

May I take this as an example, and explain the meaning of those two figures? The figure I think you ought to use is the \$75 million. What I am saying is if Italy did not have to increase its military budget, if it did not have to devote metal to its fabricating plants, some of the output of its steel mills to producing ordnance items, trucks, vehicles, and the like, if it did not have to expand its budget and its budget deficit, and therefore develop inflationary pressure inside Italy, if it did not have to shift quite a lot of manpower into the army, and in Italy as in the United States I am sure they eat more in the army than out of it, if Italy did not have to do these things, they could get by with a smaller amount of imports, and certainly with a good world market could expand their exports over the figures we have shown.

What I am saying to you is that between the savings on imports and the larger earnings through exports they would be \$200 million better off if they did not have to do the things that you mean by rearmament.

Therefore, I think the most honest answer that I could give to that question about Italy is that the Italians would need \$75 million purely for economic purposes not connected with rearmament.

When your load on top of that, taking account of all the cut-backs—

Chairman RICHARDS. Could you not do the same thing for every country?

Mr. BISSELL. Then you can use the figures I have given you. I think that is why these figures are as good as any that I could give you.

I simply say this: suppose we just take one factor in the Italian situation. Suppose an Italian soldier eats more bread, as I am sure he does, than the Italian civilian on the statistical average, you can say that some of the increase in imports is attributable to the increase in the size of the Italian Army.

Chairman RICHARDS. Mr. Battle, will you take the chair?

Mr. BISSELL. I think the fairest way to answer the question that the chairman posed is to say for just that reason. And if you pick out that one commodity as an example, X million bushels at X dollars and that is what you contribute, it is the increase that can be charged against rearmament.

When I say that \$200—

Mr. HERTER. Will you yield at that point? Would it not be possible for us to get a table with three sets of figures on it? One would be the total amounts that you propose for that country; second, what you would call straight economic aid; third, the balance for military aid; and finally, another column showing that country's total military contribution.

It seems to me that would be a good comparison.

Mr. BISSELL. We can easily do that.

Mr. HERTER. It would very easily be understood, I think.

Mr. BISSELL. I probably seem to be trying to complicate this point. I think I have to explain the difficulties that I face. And if you have to deal with this on the floor, all of you will have to see the clear and honest intellectual basis of this.

It is very hard to slice it and say that so much of the wheat is going to Italy for the army. You could find that figure out and measure it. That would not be a fair and honest figure. The best I can give you in terms of total aid, and this would be true in terms of commodities, on both the import and export side, if we could carry the thing that far, is to say this is the extra part which results from the acceleration of the rearmament effort in this country.

Mr. OHLY. I would like to have Mr. Bissell bring out a point that may not be clear from what he has already said—the fact that while you may say that \$76 million is what Italy would require for economic purposes if there were no rearmament effort, without the entire \$276 million Italy would not be able to reach the level of rearmament effort which has been set as a target.

Mr. HERTER. I would say put in the fourth column the rearmament effort that is expected as a result of putting this money in the pot.

Mr. BISSELL. May I put it in these words: Are we asking for a sum of money and proposing a set of actions next year that represents full recovery, that is, all the things that would have been done in the fourth year of the Marshall plan with rearmament piled on top of that?

If that was what we were proposing, I think it would be fair to say for Europe, as we have had to say for this country, "When we are piling rearmament on top, a good deal of the recovery stuff had better give way."

We are not proposing that. The whole program that is before you represents what is the result of those cuts in what you could properly call recovery activities, the maximum feasible cuts, and then rearmament put on top of what is left.

Let me make that very concrete with a couple of examples of what I mean.

If we had a fourth year of the Marshall plan, I for one would have hoped that in that fourth year the standard of living would have risen by perhaps a couple of percent more all the way across Europe than is in these figures.

A couple of percent on the standard of living would have meant a couple of billion dollars' worth of goods and services pouring out of European factories, mines, and farms for the consumer.

If we had a fourth year of the Marshall plan, we would have been able to put the entire amount of money, or the Europeans would have been able to put the entire amount of money shown in these tables for capital investment into purely peacetime investment, a lot more into housing.

As I said this morning, what we are in fact proposing is that the whole of their military investment has to come out of cuts in their economy.

I think it is most important to emphasize to you that we are not proposing recovery, plus a little arithmetic addition of something else that you could call rearmament. What we believe is that the Europeans have to cut back in the improvement of their standard of living, and in some countries cut it back absolutely. They have to cut down their peacetime investment; they have to save on nonessential imports; they have to live with some domestic inflationary pressure; they have to put controls on the use of scarce materials.

After they have done these things and put on top of what is left rearmament, that is the picture we have tried to present to you.

Mr. HERTER. From a purely economic point of view let us take the case of Italy again. You say \$200 million in economic aid is made essential because of the armament effort.

You are asking that the \$200 million be spent by the ECA for that purpose, or its successor organization. Let us assume that from purely military funds or offshore procurement of military end items or spare parts, or something which would ordinarily have been in the Italian budget to have been done by the Italians, we should pay dollars.

Would not the economic effect be the same, say \$100 million, as if you put \$1 million in except with the loss of the counterpart which would be reflected in the budgetary requirement of the Italian Government?

Mr. BISSELL. I think the answer is substantially "Yes; it would"; emphasizing your proviso that we spend \$200 million for items that would otherwise have been in the Italian budget.

May I try to describe the difference in the two processes this way: If the general went with \$200 in his pocket to spend in Italy, what in fact he would do would be to go to the bank of Italy and buy lira, and he would then go around with the lira and place his contracts.

That is the normal process of international trade. It has seemed to us that with respect to the question you pose, the choice is between buying lira with free dollars and then spending the lira or providing

the dollars under the procedures that we have developed in this Government whereby we have some control over the way the dollars are used, and then as a successive operation having some control over the way the counterpart is used; that is, the lira.

My own feeling is that the latter of the two processes gives us more effective leverage to accomplish what we want to accomplish in the country than the other.

I would like to suggest to you, if I may, that there are still other variants. For instance, if the Pentagon were spending this money we could make certain conditions about the way those dollars were to be used by the Italians.

On top of that we would have the counterpart, lira, to spend in Italy. Still a third way would be a variant of what we are doing now. We could say we are going to spend \$200 million in aid to Italy, that the counterpart instead of being 5 percent deposited to United States account is going to be 95 percent to United States account, or some larger percentage, so we could have a more direct control over the counterpart. I am sure you will recognize those are all variations.

I believe that the economic effect in the broad sense of the term would be exactly the same. I think the real question which I would like to suggest that the committee consider is what technique among these several possible ones gives us the greatest leverage in securing the result we want; that is, in getting this whole problem worked out.

Mr. HERTER. I fully understand your point in wanting to control greater segments of the economy by doing it this way.

As you know, and I think all of us realize it, the actual letting of contracts for military goods has been going very slowly. The armament industry of Europe is building up very slowly.

Might it not be a spur, considering this is a security effort, to get some contracts let pretty quickly and the payment made in dollars in order to get the machinery and production in the armament industry under way faster than it is going at the present time.

Mr. BISSELL. I think that may be a spur, sir. I think my own opinion is that that can be accomplished in other ways.

A few moments ago I outlined some special measures we are considering at this point, which involved in part spending dollars in exactly the way you have suggested, and in part requiring the countries to mark counterpart for certain agreed expenditures.

Mr. HERTER. My feeling is that the machinery as it is set up in Europe is so cumbersome that there will be tremendous delays before agreement is reached between the various components unless responsibility is centered somewhere.

General OLSEN. We are doing exactly what you suggest, just getting it under way. Initially it had been done almost solely for the United States forces' requirements there. Now also the procurement of end-item programs with dollar contracts will be.

Mr. HERTER. I had heard you were doing that.

Mr. BISSELL. You conditioned your question to me on the assumption that we, the United States Government, go in and spend money for things that otherwise would be in the country's own budget.

As I am sure you are aware, if you go beyond that, if you begin to try to buy goods there additional to what would have been in their budget, then a part of the dollars that we spend for those items will

be needed to pay for the raw materials, components, and the like that they have to import to manufacture those goods.

So long as we are within the proviso you stated in your question, sir, the answer I think is that a dollar spent in Italy has the same broad economic effect as a dollar of aid given to Italy, subject to this reservation.

(Discussion off the record.)

Mr. RUNCORE. Do I understand Mr. Herter is advocating in order to get these nations to produce arms for their own troops that we give them an additional incentive by giving the French and Italian manufacturer dollars for it instead of francs and lire?

Mr. HERTER. Yes.

Mr. RUNCORE. That is going to be a very, very tough proposition to jam down people's throats if they reach a stage where they will only do this for themselves if they get dollars from us from the ECA.

Mr. HERTER. I am merely inquiring if that process is not taking place with all our troops abroad in Europe. There is a lot of procurement in Europe itself. I was asking about the effect on the country's economy itself, and which method of procedure was likely to get the army moving the faster from the point of view of the end results. I understand we are all driving at getting Europe to take care of herself in time through the building up of its own industry. The question is whether dollars spent today to get moving and moving fast might not be better than giving it in an indirect way and providing raw materials and providing dollars for component parts, and things of that kind, for the segments of the economy. I was wondering if it might not be better going directly to the heart of the thing.

Mr. RUNCORE. In other words, if country X were proposing a \$275,000,000 outlay and we were going to do this with \$175,000,000, will we cut their ECA down to \$100,000,000, or give them \$275,000,000 anyway, plus the additional sum you are going to spend in dollars?

Mr. HERTER. I am conditioning the amount on the amount that is being spent in dollar needs by the military for military procurement, because that is useful to the over-all economy of the country itself.

Mr. BISSELL. May I make one point, Mr. Herter?

Mr. HERTER. Yes.

Mr. BISSELL. I took it for granted what you had in mind in your question to me was the procedure whereby the United States Government would, as in a normal foreign trade transaction, go to the central bank of the country and buy its currency, and never pay dollars to a manufacturer directly. I am sure you are aware that especially in quite a number of the European countries there would be the greatest danger in actually paying the dollars to the producer.

Mr. HERTER. I did not have that in mind, but I assume that is the way the military are operating today in paying in the local currency.

Mr. BISSELL. I am sure it is. Could I make two other comments, since you raised this general and exceedingly important point?

I am sure you realize one of the major complications with it. As I already testified, I think this ought to be done: That is, we hold out some of the dollars that are proposed in this whole bill for purchases of end items in Europe for the European countries, and that to the extent of at least a part of the funds so utilized there will be a net saving in the total required. I have already testified to that.

Having said that, I think the committee should be aware that we certainly do not want to release in any one of these countries a kind of competitive process whereby a United States procurement service operating right down to the individual company level—the individual supplier level—is competing with the local European procurement service.

I do not pretend to know anything about procurement techniques. That is not the point to which I am speaking. My point is, if we are trying with one hand to push the Italians to spend a lot of money themselves in Italy, much more than \$200,000,000, and if in the meanwhile we are coming in to spend \$200,000,000, that obviously creates problems in coordinating the two procurement programs in Italy.

Mr. HERTER. You have that problem at this moment—if you do not mind my interrupting—in the procurement offices over there now. You have the military procurement offices in Europe now. Those offices presumably are dovetailing their operation in conjunction with the local military missions, the country teams, the ECA, and the Ambassador. I presume those are all being coordinated on the spot.

Mr. BISSELL. I did not mean to suggest this was a fatal objection. That is why I said I had already expressed my own personal belief it should be done. Frankly, I think the point I just made is the reason why this ought to be done within certain rather limited programs. The proposal that is currently being considered is to do this on a sizable scale for ammunition and spare parts. There are good reasons why those should have a first priority.

What is being done is not limited strictly to those fields, but I think the coordination problem will be made easier in that way.

The other point I am sure you also have in mind is that you do not want to create a state of mind in government in Europe that if they hang back and wait that we will come in and do their procurement for them.

Again, a reason why the United States procurement program in Europe needs to be pretty sharply defined at an early date and then adhered to is so that we will not encourage the Europeans to sit back and wait for us to do even that part of it we are still relying on them to do themselves. That danger is a real one.

Mr. HERTER. That is known as disincentive.

Mr. BISSELL. That is correct. I tried to avoid the ugly word.

STATEMENT OF JOHN H. OHLY, ACTING ASSISTANT DIRECTOR, OFFICE OF INTERNATIONAL SECURITY AFFAIRS

Mr. OHLY. That goes back to a premise you put in your question, Mr. Herter, that this procurement would be in lieu of things which they would otherwise include in their own budgets.

Mr. HERTER. It would be dollar procurement.

Mr. OHLY. Dollar procurement for things which they would otherwise cover in their own budgets.

Mr. HERTER. That is right.

Mr. OHLY. When you get to that point, unless we have a desire to guide production into particular lines and carry certain particular types of production, you run the real danger that there will be a disincentive to including all of the moneys in their local budget that they should for the various purposes that they should.

Mr. VOYTS. Will the gentleman yield?

Mr. HENTER. Yes. I think I was questioning out of turn.

Chairman RICHARDS. Mr. Vorys, go ahead.

Mr. VORYS. These figures have been presented to us on the basis that Europe has to have this if they are going to rearm in order to live somewhat in the style that we have accustomed them to live. It seems that if we simply sent a check over there to OEEC and said, "Now, here is enough to balance everything up, and you fellows divide it up," or if we sent a check to each country, the result would be the same and we could save about \$53,000,000 in administration.

If it does not make any difference where it goes in and it has got to be poured in some place, I think that follows.

Chairman RICHARDS. You would have to create a bank to pay it out.

Mr. VORYS. No. You would not have to create a bank.

Chairman RICHARDS. You have to have somebody to do the counting of that.

General OLSTED. They might even be willing to come and get it.

Mr. VORYS. No. According to this theory, as long as it is poured in, it does not make any difference which end it is poured in.

Mr. VORYS. As we all know, there are some thoughtful people who have suggested that we do substantially that. If we are going to give them money to balance up their budgets, and so forth, we could just hand it over to them and save on administration costs.

Mr. REECE. Would you permit an interruption?

Mr. VORYS. An interruption to my interruption?

Mr. REECE. In the third degree.

Mr. VORYS. Yes.

Mr. REECE. I was not able to be present yesterday morning, but I took time out at noon, at the risk of security, and took the hearings downstairs and read them. In reading that testimony of yesterday morning that was the very problem that presented itself to me. In reading it and summarizing more or less in your mind the testimony, it seemed all that they needed was dollars to balance things up.

That gets back around to the question I have raised a time or two at the risk of being monotonous, about what the money was finally being used for, and a breakdown as to its application.

Mr. BISSELL. May I comment on that?

Chairman RICHARDS. Yes. According to Mr. Reece's and Mr. Vorys' observation, maybe you do not want to see them with these dollars buy crackerjack and pop corn and fireworks, but we want to have some say-so about what they are going to do with this money, and see that it is interwoven in this plan with the Mutual Security Program.

Go ahead.

Mr. BISSELL. That is substantially the point. We were talking about Italy and I might just pick that as an example. Next year it is our estimate that Italy will earn—talking about its foreign trade in gold and dollars only—it will earn some \$400,000,000. It will spend that together with the \$275,000,000 that we have proposed for aid.

I think the central point is that we care a great deal what those dollars are spent for. If the dollars are just dollars in the bank and not to be used there would be no use for them and no possible sense in providing them. But the central point is that I for one care what they do with the \$400,000,000 they spent out of their own current earn-

ings, just as I do with what they do with the \$275,000,000 that we are proposing the United States Government should furnish them.

I not only care about those \$675,000,000, roughly, that they will spend for those goods and services they will have to import and pay for in dollars—I care somewhat less, but a great deal about the other goods they import, and I also care what the Italians do with their manpower and their own steel production. They have some sulfur production, and I care what they do with that.

My concern, and I think probably the concern of the United States as an ally of Italy, must be with what they do with all of the goods that they import and all of the goods that they produce.

Now, I do not pretend for a moment that we should try to exercise or that as an ally of that country we could in fact exercise a tight control, because without taking over the Government of the country that, obviously, is impossible. I do say that there is nothing gained whatever in satisfying ourselves that the "X" dollars, whatever the sum is, which we give the Italians, go, let us say, for machine tools, copper, aluminum, petroleum, or steel, all of which can be traced through to military end items.

There is nothing accomplished by satisfying ourselves of that if the \$100,000,000 that the Italians have earned and are spending out of their current earnings are going for juke boxes, luxury items, high-priced automobiles produced in the United States, or any one of a number of other items of the same sort.

I say that because if that should be the situation then "X"—whatever number "X" is—obviously is too big. The only way we can be sure that we are not giving any more than is necessary to permit them to rearm is to be sure that they are making as tight a use of their own dollars and the rest of their foreign exchange—and, I repeat, their own productive capacity—that they are applying the same standards that we are applying to the goods that we finance for them.

There are many mechanical ways that could be done, but that seems to be the nub of this problem.

Could I just say this one more thing?

Chairman RICHARDS. All right.

Mr. BISSELL. I trust the members of this committee realize, of course, that we have made estimates of the total imports of each of these countries for this forthcoming year, as well as the figures for the year just ended, for comparison. In this formidable mass of tables before you there are estimates of imports in eight commodity categories, and by sources, for each country, that bear on what I have been talking about. That is the total imports of the country, and what they are doing with their total supply of foreign exchange.

We can, of course, give you a great deal more detail and testimony than the eight categories. Most of those we can break down a good deal further, if you wish us to go into that detail. We are able with regard to each of those and the subcategories to tell you why we think the figures should be the ones that are here before you.

I would be delighted to discuss that either in the aggregate for all of these countries, or country by country. That is a pretty detailed subject, but we are glad to do it to whatever extent the committee desires.

So I do not want you to think on the question of total flow of goods into these countries that all we have calculated is that they need so many dollars, and we do not care how they spend them.

Mr. JUDD. Am I at liberty to ask a question, Mr. Chairman?

Chairman RICHARDS. Yes, Dr. Judd.

Mr. JUDD. Mr. Bissell, do you find in actual practice that sometimes this kind of situation develops? The best elements in the countries we are helping prefer to have your agency there to insist that the money be spent in a certain way, because they are subject to political pressure the same as officials are in our country, and your presence there permits them to say to their own people, "Of course, now, we would like to spend it for some of the consumer items that you just mentioned, but, after all, this is American money and these ECA fellows are tough, so we have to keep on the beam and see that it goes either for economic recovery or else for military purposes, whichever the case may be."

Do you find that to be your experience?

Mr. BISSELL. Absolutely, sir. I think it is true in every single case.

Mr. JUDD. And the weaker the government is, the less secure it is, the more it needs such moral backing by the United States and its agencies?

Mr. BISSELL. Exactly that. Exactly that.

Mr. JUDD. That is in line with my experience.

Chairman RICHARDS. Are there any other questions?

Mr. VORYS. Going to Germany—that is page 62 the way it is now numbered—I found that you have estimated an increase of, as I figure it, \$103,000,000 in food and agricultural imports, and \$275,000,000 in industrial imports from the dollar area, or to be correct, \$265,000,000 in food and agriculture and \$275,000,000 in industrial imports, which is about a half-a-billion-dollar increase in imports into Germany.

Of course, nothing is on our chart for the military for Germany.

I wondered why that tremendous increase for Germany in this coming year?

Mr. BISSELL. Can I give part of the answer and then ask Dr. Fitzgerald, who is here, Mr. Vorys, to give the other part?

Mr. VORYS. Yes.

Mr. BISSELL. The figures, as you have them before you, the grand total for both food and agricultural and industrial imports comes to 3,215 and 3,755 for the two successive years. That is on pages 60 and 62. I am quite sure they are the same figures you have.

Mr. VORYS. That is right.

Mr. BISSELL. Of that amount approximately \$300,000,000 of the increase represents price increases. If you took the \$3,755,000,000 figure which is on page 62 and the grand total and expressed that in terms of the same prices we have used for 1950-51, we estimate it will be approximately \$3,414,000,000. In other words, just about a \$200,000,000 increase.

Now I would like to ask Dr. Fitzgerald if he would talk to the point of that specific increase in German imports.

Dr. FITZGERALD. Congressman Vorys, there are two reasons for the increase shown in the imports for the Federal Republic of Germany in 1951-52 as compared to 1950-51. One of the reasons is the general increase in the level of industrial activity in Germany which, as the committee will remember, lagged behind recovery in the other parts of Western Europe, and really only got under a full head of steam about the middle of the 1950-51 fiscal year.

The second thing is the impact that that increase in production and in productivity has upon the demand for consumer goods.

Mr. Bissell has mentioned that in the case of all the European countries we expect some increase in per capita consumption growing out of increased employment. In Germany we have had a large unemployment in the past, and we expect it to be substantially reduced in 1951-52. In addition, as you ladies and gentlemen all know, the continuing and very sharp increase in German population, both growing out of the birth rate in the country and because of the continued fleeing of people from the east to the west, will increase requirements.

In the case of agricultural commodities—

Mr. VORYS. Just a second. I would have thought that the increase in industrial activity, unless they were selling everything at a loss, would mean an increase in prosperity—I thought that in all cases the increase in industrial activity, and production, was a good thing. However, does that mean that it increases the drag on us for materials?

Dr. FITZGERALD. No, sir. Not at all. The increase in productivity and the increase in activity in Germany is reflected in these figures to which you had reference, sir. This is not a balance-of-payments table. These are just gross import figures. Mr. Bissell can give you the declining aid figures that come out of the improvement in the internal situation in Germany.

Mr. BISSELL. Can I just mention them, sir?

Mr. VORYS. Yes.

Mr. BISSELL. They are on page 59 of this group of tables. There you will notice that German exports in all currencies are expected to rise from \$2,710,000,000 to \$3,495,000,000, or about \$785,000,000, if I am not mistaken. That in absolute terms is considerably more than the increase in imports.

The increase in receipts and services is proportionally even greater, that is, from \$186,000,000 to \$247,000,000.

If you take the balance of trade and services with the world as a whole it improves from a deficit of \$673,000,000 to a deficit of \$506,000,000 for the reasons just indicated.

If you go to what is called in line 9 on page 59, which is the balance of payments, "The net balance of payments," taking into account also other factors, including the expenditures for the account of United States troops in Germany, you will see that the deficit for the year just ended is cut by a third as we go to the new year. Of course, the amount of aid proposed is cut more than in half.

So in the particular case of Germany there is a very marked improvement expected in spite of the factor that I have referred to several times.

We are pulling a lot of people back into employment in Germany, and that is one of the cases where I think inevitably more goods and services will have to be consumed. You cannot reemploy as many people as that—and, to be exact, our estimate is that the numbers of employed will increase by 1,200,000, which is over a base of 21,000,000 employed in the labor force the last year—you cannot get that sort of an increase in employment for reasons I have explained, without some increase in consumption.

However, in spite of that, we do expect this improvement in the foreign balance that I have just mentioned.

Mr. VORYS. But if there is an increase in employment and an increase in consumption in a country where there is at present no mili-

tary program, I cannot see why that would increase the cost or the economic deficit for Germany from 100,000,000 to 175,000,000. I thought with these vast increases in food and agriculture that maybe they were just going to live better. If they are not going to devote any of their economy to armament, well, I cannot figure it out then. (Discussion off the record.)

Mr. HERTER. Mr. Chairman, I would like to ask the general a question.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Yesterday, when you were showing us the table of priorities which you had up on the mantelpiece you indicated there were three or four categories of priorities that came ahead of the MDAP program, as such. It does not make any difference how much money we put into this bill for end-items, to be supplied under the MDAP program, does it? That relationship of priorities will still remain?

**STATEMENT OF BRIG. GEN. GEORGE H. OLMSTED, DEPUTY
ASSISTANT CHIEF, G-4, DEPARTMENT OF THE ARMY**

General OLMSTED. Yes.

Mr. HERTER. The money has nothing to do with it?

General OLMSTED. That is right.

Mr. HERTER. In other words, somebody in the War Department or the Pentagon determines when tanks come off the production line, or when guns come off the production line, whether they should go to a training camp, or Korea, or to Indochina, or to a pool somewhere, or the MDAP program, the one we have in Europe. Now, who makes that determination in the Pentagon?

General OLMSTED. Well, now, the requirements of the United States forces are made up in the respective services by their supply people.

Mr. HERTER. Yes.

(Discussion off the record.)

General OLMSTED. That is medium tanks. If the amount of funds available to us does not permit us to buy that many tanks, then we do not produce them.

So the question of the priority of allocation is only one factor. You have to get the tanks in production. Otherwise they will not be there, irrespective of the priorities that might be established for them, unless you were to take them away from our own forces.

Mr. HERTER. But I am asking you who in the War Department makes the determination as to where these shall be sent?

General OLMSTED. As to where they shall be sent?

Mr. HERTER. Yes.

General OLMSTED. Pardon me. I did not understand.

Under the Joint Chiefs of Staff there is a Joint Munitions Allocating Committee, made up of the chief logisticians of the Army, Navy, and Air Forces. They have the final say, subject, of course, to the review of the Joint Chiefs of Staff.

Within the services, taking the Army for an illustration, there is an Army Allocations Committee that meets periodically and reviews the requirements, the resources, and makes the division in the light of the priorities as established by the Joint Chiefs of Staff.

Mr. HERTER. Then, when the allocation is made for MDAP, it becomes a bookkeeping operation and a particular tank is charged against that appropriation. Is that correct?

General OLMSTED. Substantially you are right. I think in detail it is handled a little bit differently. I think the procuring service is the Chief of Ordnance, who buys the tanks, makes the bookkeeping operation out when he places the order; but the actual delivery is then controlled at the controller's level as to how nearly your appropriation has been complied with, or fulfilled.

Mr. HERTER. Then at the time you place the order for the tanks you cannot tell what the final disposition of the tanks is going to be, because your order of priorities may change in the interim period?

General OLMSTED. That is right. Because of the method in which our funds come to us we have a sort of complexity of bookkeeping there—which may be the point you are thinking about—where we get some funds for tanks through a United States Department of Defense appropriation, and some funds for tanks through the MDAF appropriation.

Mr. HERTER. Can you explain this to me then? You see that chart or those two charts, I think, showing us how much of the 1950 billion dollars roughly had been spent, and how much of the 1951 had been spent. There were identical items, or almost identical items, on both of those charts.

General OLMSTED. That is right.

Mr. HERTER. On the 1950 chart nothing had come up to 100 percent. I think nothing had come up to 100 percent. However, on the 1951 a certain amount had been spent in the same categories.

Who determines from a bookkeeping point of view that they do not fill up to 100 percent on 1950 before you charge something against 1951?

General OLMSTED. Those were general categories in which quite a number of different types of items would be involved. For example, the general category of small arms would include rifles. It would include submachine guns, carbines, .30-caliber machine guns, .50-caliber machine guns, mortars, and so forth, so that whereas there might be an unfinished allocation in 1950, it might be a different individual item from the allocation that was made in 1951.

I do not know whether I have said that plainly enough, but to be specific, take an 81-millimeter mortar on the 1950 program. That might not have been allocated up to now because of the shortage of ammunition to go along with it. So that will show as an unfinished or uncompleted allocation against the 1950 program. At the same time rifles, which are in relatively plentiful supply, might be allocated against the 1951 program.

Mr. HERTER. You have broken here the 1950-51 appropriations into separate categories of items then.

General OLMSTED. Yes, sir.

Mr. HERTER. Entirely.

General OLMSTED. Yes.

Mr. HERTER. You cannot spend the 1950 money, even if you get an excess somewhere else, that is, you could not spend the 1950 money on that excess in a given category.

General OLMSTED. It is not so much a question of spending the money. You see, the obligations and commitments of the funds have already been accomplished.

Mr. HERTER. It is a question of your programming then?

General OLMSTED. It is a question of the delivery of the end item.

There is one other limiting factor that might seem to account for the imbalance there. That is, we only send these items forward to the country after being advised by our mission in the country that the country is ready to accept it. So that there might be an actual supply of the items available here, but our mission on the ground might say they have not activated their unit yet, so do not send the unit equipment until it is ready.

Mr. O'HARA. Could I add one thing? There is also in the 1950 program quite a number of stock materials which require repair and rehabilitation. On the material which is put under way and in repair and in rehabilitation and obligated for, at the time the Korean hostilities began it was found to be necessary for that to be used for Army purposes. At that time an equal amount of material was set aside from Army stocks that had not yet been repaired and rehabilitated. It involved a slowing down of the 1950 program, but it resulted in availability for our emergency needs of materials that would otherwise not have been in existence in a state of readiness if it had not been for MDAP.

I think that is one important thing that has resulted in some non-delivery of 1950 material.

Mr. RIBICOFF. I want to ask Mr. Bissell a question.

Chairman RICHARDS. I want to ask some questions on that.

Is your question on this feature?

Mr. RIBICOFF. No. It is on another matter, Mr. Chairman.

Chairman RICHARDS. We will come back to you then, Mr. Ribicoff.

Talking about end items, tanks, for instance, the committee noticed when it was in Europe that certain NATO outfits were crying for tanks. As I understood you when you testified yesterday, you said from the time that these tanks were programed you figured it would take 10 months before you would have the tank off the line.

General OLMSTED. That was the reorder lead time before we could get the first one. If the volume of reorder, let us say, was for 3,000, we get the first one in 10 months.

Chairman RICHARDS. The tanks you are furnishing now were programed when?

General OLMSTED. The tanks we are furnishing now were substantially all programed in 1950, although there were a few in 1951. They are not the new tanks that are being produced now, but are tanks that were World War II vintage tanks that had in most instances to be rehabilitated, that is, to be taken out of reserve, rehabilitated, and then delivered.

Chairman RICHARDS. Were you talking about the fact that you could get that tank out in 10 months on the basis of the facilities that you have for manufacturing tanks now, or the increased and expanded program?

General OLMSTED. No. That is on any existing facility. If we went, let us say, to Cleveland to reorder tanks from the Cadillac Co., we would not get the first tank—the line is running now and producing tanks, and that will run out at a certain date, I think some time early next spring, when they will deliver the last tank under the current order. If we did not place a reorder 10 months ahead of the time the last tank is delivered on the present order, then there will be a let-down in that line and a gap in delivery.

Chairman RICHARDS. There is an expanded program now to meet tank requirements over there. Were you taking that into considera-

tion, or was that on the basis of the approved requisitions of 1950 or 1951?

General OLMSTED. All of the figures that I showed you were in terms of our complete facilities today.

Chairman RICHARDS. Then after all, in your tabulations, according to the way you have to have things programmed and ordered and put in the pipeline, and all that sort of thing, there is not much difference to you between 1950, 1951, and 1952? It is just a continuing program.

General OLMSTED. That is right.

The point I want to make there, though, Mr. Richards, is that unless we place these reorders—here is a line already tooled up and already producing tanks. Unless we can place those reorders 10 months in advance of the time we expect the delivery of the first item under that order and unless we have that much time, then there will be a gap or let-down in the line on the production of it.

Mr. CHIPERFIELD. Are you making use of the tanks at the arsenals?

General OLMSTED. Yes, sir.

Mr. CHIPERFIELD. The last time I was up at the Rock Island Arsenal, which is in my district, there were an awful lot of tanks in that arsenal.

General OLMSTED. I see them quite frequently going by there myself. All of our medium tanks, we will say, that are combat-worthy for any type of terrain, are being rehabilitated and put into the stream now, and put into the program.

Chairman RICHARDS. Did you want to ask the general a question, Mr. Ribicoff?

Mr. RIBICOFF. No.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. Do you mean to say in a tank factory, for instance—and I went through the Chrysler plant during World War II—if they had an assembly line that was all set up and they had the employees, and if you wanted more tanks, then do you mean you would have to tell them 10 months before you wanted those additional tanks?

General OLMSTED. Yes, sir.

Mr. VORYS. Why?

General OLMSTED. Well, the principal delay is on steel. Another very complex delay is on the subcontracting. Take this Cadillac plant producing there at Cleveland. We have to tell them 10 months ahead of time that we want an added tank in order to get it, because their steel reorder lead time is that difficult, and their subcontracting problems are that difficult. Those are their principal bottlenecks, and their principal difficulties.

Mr. VORYS. On their steel reorder it does not take 10 months to make the kinds of billets or plates that they need for a tank, does it? I mean, Charlie Wilson has priority and allocation powers, and if you need more steel for tanks it does not take him 10 months to give that tank factory a priority and an allocation of the kind of steel you need for a tank, does it, in order to get the steel there?

General OLMSTED. The steel people will tell you it will take 10 months to make delivery of the steel fabricated in the right form. Of course, there are many other things, as you know, that are creating demands on our steel production.

When the Cadillac Co. goes to its steel supplier for its steel order, it does not come off the top of the next day's production. It has to

take its position along with demands of similar and comparable priorities.

Chairman RICHARDS. I understood about a year ago that the chief bottleneck of the tank production business was that they did not have the necessary assembly lines, although, of course, they had the steel problem then too.

So far as that is concerned, that has been overcome, has it not?

General OLMSTED. That is substantially equipped now, Mr. Chairman. We have four medium tank lines now in operation, and two that are substantially tooled up as stand-by plants in case of a greater demand for either more rapid rearmament or war.

We have now in being four producing lines and two stand-by lines.

Chairman RICHARDS. What would be the best way to cut this 10-month business down to, let us say, 6 months?

General OLMSTED. Well, sir, I am not a production expert and I will just have to give you a reaction that we get from our production people.

I would say a much more severe invasion of our civil economy.

Mr. RIBICOFF. Right at that point, may I ask a question, Mr. Chairman?

Chairman RICHARDS. Yes. Mr. Ribicoff.

Mr. RIBICOFF. I have been very interested by the fact that the military have become such economists as to the problems of running a civilian economy and a defense economy side by side.

Now, Mr. Bissell augments it in his testimony today with the statement that what we are going to do is not disrupt anything, but go ahead for 3 years, approximately, and then we are going to have this full production and a full standard of living, and at the same time get our military production.

Is this not one of the greatest delusions that is being perpetrated on the American people, for this reason: If we are so far behind on our military production in comparison with the Russians, as was testified to here by general after general, then is it not all important that we immediately catch up with our military production and once you do catch up, then go ahead with keeping on an even balance between civilian and military production? However, first we should get the military. Let me give you an example of that.

You are short of airplane engines. I was talking to some of the engineers in charge of the procurement at that United Aircraft Co. I said, "What is the problem here? You are so far behind and you have all these orders." They said, "Well, the problem is that in the Second World War, in 1940, when war broke out, we were in a position where there was a reservoir of labor. We had just gotten out of a depression period and we had labor available. Secondly, there were strict priorities so we could get machine tools. We were in a position where we could get matériel and could work around the clock producing airplane engines. At the present time we cannot produce them because we do not have labor and are not working three shifts. We are short of machine tools and have to go out in the market to compete for machine tools with the people engaged in civilian production."

The shocking thing to me is a continuation of that philosophy by the military. I can understand why the civilian groups and Charlie Wilson would feel that way, but I am puzzled as to why the military does not have a knock-down, drag-out fight on this issue instead of playing along.

Mr. JAVITS. Will the general also include in his answer a statement on what I understand was a big issue—and not a fight or hard feelings—between Mr. Charles E. Wilson and the military, wherein Wilson said, "Let us go all out on military production until we are caught up," just as Mr. Ribicoff said, and the military said, "Let us take the middle ground and keep both a peacetime and wartime economy going."

General OLMSTED. I must say I am unfamiliar with what you are referring to, Mr. Javits. I was not in on this particular discussion.

This is the problem that our military supply people are confronted with: As I showed on those charts yesterday, we can make substantially more tanks than we are making. We do need the tanks, and we need them badly. If we went to all-out production, assuming, of course, that the powers that be would permit us to do it, and if we had the necessary funds to do it, and 12 to 18 months from now we had all of our units and the allied units equipped with arms, then what would happen?

Mr. Ribicoff. Then you go along and level off to what you think you are going to need on a month-by-month basis and go along with your production. However, at least you would have a reservoir a year and a half ahead of when you thought you would have it, and then you would at least be approaching equality with the Soviet Union.

General OLMSTED. Right—which from a military standpoint we would like to accomplish right now.

Mr. Ribicoff. Yes.

General OLMSTED. On the other hand, if 12 to 18 months from now we had all the tanks for our unit equipment for ourselves and our allied forces, then we would have all the tanks we needed, and we would have to say to our suppliers, "Shut down." We would then be confronted with the problem, if we ever had to get into production again, of reassembling these lines and this labor, and going again into full production, and our United States civil economy would follow this kind of pattern, which we fear may be exactly the objective the people in the Kremlin would like to accomplish.

Mr. Ribicoff. Except for this: Apparently the philosophy of Mr. Wilson is to build up other plants to take care of the military production, so that when these are completed you will be able to operate on the military and civilian at the same time.

What I do not understand is why you do not convert as fast as possible to military production and give that the immediate priority, and then with regard to the supplemental plants that you have, allow them to come in on the civilian economy. It is all right to say you are worried about what the Russians are going to do. We are all worried about that. That is the whole purpose of this program, but it is a cinch that what you need and need in a hurry is to be armed as fast as you can.

I will say that I am surprised that the military does not push for that.

Once upon a time the military had to fight for everything they could get. Now you are in a situation where Congress will give you what you want generally, and you are the ones stopping it and saying, "No, no. We do not want it."

General OLIVESTED. That completely reverses my role at this table. A partial mobilization is more difficult than an all-out war to manage. That is the result of the problems of manpower and matériel which arise. In every one of these decisions there has to be the best judgment of the civil and military leadership as to just where to make that dividing line, as to how many tanks, and so forth, we should build this year. It will not be all that we would like to have, or all we have an immediate need for, but assuming you are willing to give us the money, if we went all out to build tanks and then had to shut off all our tank lines, we would fear that 18 months from now, or 24 months from now, or 30 months from now, we would be in a less strong condition than we would be by establishing this rather broad production base, but having a flow of end items throttled back so that we can rather visualize a continuing period of production over the next 2 or 3 years, instead of having all of it now and then a blank period.

Mr. RIMCORA. If you can plan to do it this way, I do not understand why you cannot go up first and then level off.

Mr. VOYSE. Will the gentleman yield?

Mr. RIMCORA. Certainly.

Mr. VOYSE. Is this not a consideration? When I went through the B-24 plant at the Ford Willow Run factory, they showed us 264 changes made after the contract was let and in production. They were kicking about the lack of foresight of the Air Force.

The Air Force people with us said that every one of those were needed improvements that they discovered the hard way, through combat. It was perfectly silly to have the planes come off the line and not be the kind of planes we could best use in combat.

There was an alteration plant right at the end of the production line, to stick on to each plane the things they had thought up since it went into production.

Now, I am just taking the opposite view from you in this respect. What I am afraid of is that we may have a great, big hump, and we might have a lot of stuff that is going to be obsolete a couple of years from now.

Mr. RIMCORA. The fallacy in that argument is this: It is just as obsolete for the Soviet Union as it is for us. If the Soviet Union is building tanks and planes today that they might not use 8 years from now, well, those Soviet tanks and planes are just as obsolete as what we build today.

If you have any manufacturing experience at all you also realize that there comes some place in your line of production where you must freeze a model. In other words, if you are going to look forward to the fact that you are going to make constant changes week after week, you will never get production. Certainly there comes a stage where although you hope to get a better plane or tank, still, after all, if you are ever going to get this stuff out in mass production then some day you are going to have to say, "This is it for X period of time." If we had a great reservoir of weapons and time I would say your theory and the general's theory were absolutely sound, but when you are in a position where you are behind the 8-ball, then you

are in a position where you must catch up and then worry about refinements and improvements afterward.

Mr. JAVITS. Will the gentleman yield for one observation?

Mr. RIBICOFF. Yes.

Mr. JAVITS. Is it not a fact that we are being told constantly that the reason we have our necks out a mile, from now until 1953, is that the military units in terms of personnel could be ready by then, but the equipment cannot be ready? Therefore, is the position taken by the Defense Department consistent with this situation?

Chairman RICHARDS. General?

General OLMSTED. I just have to give you an opinion in response to that. Of these, let us say, the divisions which I showed you yesterday, that would be in a state of complete or partial readiness by this time next year, I think to that extent we would be stronger if we could equip them completely. If we had the funds it could be done.

As to the gap between those divisions and the total of the medium defense plan target, there are some factors there about the ability of these other countries that have committed these forces, as to whether they can raise them in the next 12 months.

Mr. JAVITS. You are going to have pressure to cut this bill here. One way in which you yourself could answer the argument for cutting would be if you say, "We are going to give you more for your money." I wish you would think that over.

In other words, you are going to equip your forces faster than you thought. Then it seems to me you might win over a lot of people to your side. You might well get the money you ask for if you are going to step on the accelerator.

Previously you have had cuts even on the military aid, and you may get them now. One way you could give yourselves a head start on that is by stepping on the accelerator.

(Discussion off the record.)

Mr. VOYTS. Just to refer back to obsolescence for a minute, we keep hearing around here that we are going to give this, that, or the other country some old P-51's or P-47's, and I can remember when those very planes were the answer to a prayer because they would have knocked off the P-40's that Congress is accused of refusing to appropriate for in 1939 or 1940. In any case, if the Russians have the same old tanks and the same old planes that they fought World War II with, then God help them.

Chairman RICHARDS. We took Mr. Bissell a little bit off the hook here. I thought we would let Mr. Bissell finish his statement, and then we will go back to the General a little later.

Mrs. BOLTON. I was wondering what the Captain over there had in his mind when he got up.

Captain ASCHERFELD. I was hoping to say it is all a calculated risk. If you open up production you are going to increase the cost of the equipment, because you are going to have overtime involved, and for the same money you are going to get less goods.

Mr. RIBICOFF. But when you have your back to the wall money is the cheapest thing you have.

Captain ASCHERFELD. My reply to that is that I have a certain sum of money right now in the 1950 and 1951 programs, and that has to go as far as it can and get a maximum amount of production. Therefore, we have to spend it in the most economical way.

Mr. LANHAM. May I ask a question there, Mr. Chairman? Chairman RICHARDS. Mr. Lanham.

Mr. LANHAM. In case of all-out war, how much could the program be speeded up, and how soon could we then get the necessary equipment? How quickly could we get it if all-out war came?

General OLMSTED. There is your picture of your medium tanks. It shows what the existing facilities could do if you went to a multi-shift operation. That is your gap. You can see it widens as they get into momentum over the intervening period.

The same sort of figures are available in all other categories. There is your recoilless rifle. The orders are running along at this level here, and the gap on the multishift basis is running up that way.

The same thing holds on your vehicles. Take your combat trucks. (Discussion off the record.)

General OLMSTED. That is the gap we have which we call our mobilization base, and which is comparable in the category of aircraft and fighter aircraft as well.

Mr. VORYS. Will the gentleman yield?

Mr. LANHAM. Yes.

Mr. VORYS. You pulled down a chart that I wanted to ask you about. That is this lead-time chart. How much in dollars of your program is represented by the items that have over a 10-month lead time. It looks to me like that is the electronics, radio, and radar equipment, that those initials stand for.

General OLMSTED. Could you give them the story on that?

Mr. O'HARA. The total dollars on those items which do have a long lead time beyond the fiscal year are in the neighborhood of \$2,000,000,000 out of your \$6,250,000,000. The principal categories of those items are in aircraft and ships.

Mr. VORYS. How about this stuff for the Army?

Mr. O'HARA. Electronics is another one, but electronics is not as big dollarwise.

Mr. VORYS. That is what I thought.

Mr. O'HARA. As are the aircraft and ships, that is.

General OLMSTED. Your tanks and combat vehicles in the program add up to 38 percent of the program. Motor vehicles are 17 percent. In addition to that, artillery is 9 percent. The sum of those would be 64 percent in what you would call the longer lead-time items. The balance is made up of ammunition and spare parts and short lead-time items. It is about two-thirds.

Mr. VORYS. A third of it over a year?

Mr. O'HARA. Yes, sir.

Mr. VORYS. And another third of it pretty near a year?

Mr. O'HARA. Between 6 months and a year.

Mr. VORYS. Yes.

General OLMSTED. Then I would say this would be a material factor in this consideration, too. If we were to go into an all-out war, why, the availability of materials for military purposes would change quite materially. Currently we have about 20 percent of our steel production available for military purposes, and certainly that percentage would be increased. So that would tend to shorten your bars on your lead time if you got a higher priority for military purposes.

Mr. JAVITS. Mr. Chairman, I was going to make a suggestion for a check, if it has not been made already. Those charts show what you

are counting on in the way of production by June of 1952. Can you answer categorically that the requests made of us are in exact compliance with those charts?

In other words, you are asking us for the money only to pay the bills which will result from the expectations or the forecasts based upon those charts, or is it more or less?

General OLMSTED. The money we are asking from you is based exactly on the charts that I have shown you, sir.

Mr. JAVITS. And that is as to the expectations up to June 1952?

General OLMSTED. That is right.

Mr. JAVITS. So if we wanted to question you beyond that, we would have to be in a position to say you are wrong about the production capabilities on tanks, for instance, and we can prove otherwise. Is that correct?

Mr. O'HARA. The expectations through June 1952 plus the reorder lead time for the items.

Mr. JAVITS. Of course, deliveries would come beyond that time when the production lines have a stated capacity according to the chart.

Mr. O'HARA. Yes.

Mr. CARNAHAN (presiding). Are there any further questions?

(No response.)

Mr. CARNAHAN (presiding). If not, I believe the chairman was trying to get back to you, Mr. Bissell.

Mr. BISSELL. Mr. Chairman, I do not want to talk to the committee any more. However, Mr. Vorys had asked a question, which was kind of a sample case, on Germany. I remember I was very emphatic to the effect that we are very far from taking the position that just so you pump some dollars in, regardless of what they are used for, that is all right. We are taking the opposite extreme position, that it means a lot as to what our dollars and their own dollars and other currency are used for.

Mr. Vorys then asked us a question about the commodity imports for Germany. We had not gotten that far.

I want to be sure we have answered your questions or make proper arrangements to do so. If you want, the General and I, between us, will discuss this item by item, if you care to now. Otherwise we can submit material of any kind you wish if that is too laborious a process at this time.

Mr. VORYS. You have given an explanation for the increase in imports, as to the dollar size of it, that is, because of the increase in population and the desire for consumers' goods, and the increase in prices.

Now, the thing that was perplexing me was how you could have nothing in a military program. I thought that was merely a fond hope, and your German program was based on a military program participation.

There is one other question I have, Mr. Bissell. This is the one that always perplexes me. You have \$1,518,000,000 of unexpended balance as of June 30, 1951. In these tables that you have given us, have you included that, so that the \$1,600,000,000 or the 627 should go on top of it?

Mr. BISSELL. We have, sir, in this form. As you realize, most of that unexpended balance—I do not have the exact figure in front of me—represent funds already obligated. I am sure you will have no-

ticed in all of the so-called balance-of-payment tables, but I will call to your attention the one on page 7, which is the estimated balance of payments for 14 countries, which means substantially the whole group—in line 11 you will notice an item, "Change in pipeline." That is in effect where we have taken care of that very large sum, which represents obligations already incurred for goods that are not yet shipped, and services that are not yet rendered.

You will notice there is a plus sign, another one of those rather baffling statistical indications. In effect, what this means is that in the year just ended that pipeline was reduced to the extent of \$369,000,000, and we expect it to be further reduced in the new fiscal year by \$322,000,000.

What I mean by saying that the pipeline will be reduced is this: I have to speak from memory on the base figure. My impression is we have about one billion and a quarter in the pipeline at this time, or, rather, as of July 1. That represents our procurement authorizations issued against which shipments of goods or actual rendering of services had not yet been made.

It is our estimate that what this figure of \$322,000,000 in line 11 of that table implies is that we would expect that figure to be smaller by the \$322,000,000 at the end of the current fiscal year. If my recollection about the magnitude of the pipeline is correct, that it is about one billion and a quarter, then at the end of the year it will be, as you can see, just around \$900,000,000.

To be perfectly specific and to be sure I have been responsive to your question, in our imports line and payments-for-services line, which are lines 1 and 2 of this table, and all of the country tables, we do allow for total imports, including those, of course, that are paid for with the country's own money; those that we are proposing to finance with the new year's funds; and imports financed out of previous years' funds already obligated.

The item at the end shows to the extent of something over \$300,000,000—those total imports will represent in effect a reduction in the goods already covered by obligations but not delivered at the beginning of the fiscal period.

Mr. VORYS. That last one went over my head.

Mr. BISSELL. Let me put it again.

Mr. VORYS. Look at this table where it says, "Imports, United States for 1950-51." None of the imports that have not been shipped there have been included in that?

Mr. BISSELL. That is correct, sir.

Mr. VORYS. But on "Imports, United States, for 1951-52," where it says 3,529.7, is part of that from the estimated unexpended balance as of June 30?

Mr. BISSELL. That is correct, sir.

Could I interrupt to say, Mr. Vorys, that generally we would expect that on the average 3 or 4 months of imports of those goods at the rate at which the United States is financing them—that 3 or 4 months of imports have already been covered by funds already obligated at any given time. In short, as of the 1st of July in this pipeline figure we had covered somewhere between a quarter and a third of the goods that are included in that figure of 3,529. We had already covered them out of funds already made available in previous years.

Mr. VORYS. In any case, where it says, "Total dollar aid," No. 12--1,512-B—that aid can or cannot be met by the unexpended balance as of June 30, 1951?

Mr. BISSELL. It cannot, sir, except to the extent that those unexpended balances were not already obligated or otherwise committed.

Mr. VORYS. The only amount that could be applied on that would be \$62,000,000. That is, you ended up with \$212,100,000, and you took out 50 and \$100,000,000 for the India Act, and you were down to 62.

Mr. BISSELL. Yes, sir. But as you remember, the India Act, unless I am misinformed requires that the whole \$162,000,000 be used for the India Act unless Congress otherwise provides. So that there is \$62,000,000 there, but under the present legislation that is earmarked for the India program.

Mr. VORYS. So that it is really obligated.

Mr. BISSELL. In that sense it is. Yes, sir.

Mr. HERTER. May I ask just one question there?

Mr. VORYS. Yes.

Mr. HERTER. If we sign a peace treaty with Japan early in September, does Japan come under this act?

Mr. BISSELL. Well, in the first place, as a question of organization, would the ECA be asked to do anything about that, Mr. Herter, I cannot answer that question. I do not think it has really been considered.

As to the question of substance, will it come on somebody's back other than the Department of the Army's, I have the impression it is not expected that Japan will need any direct grant-in-aid delivery this new fiscal year. However, that impression may be entirely wrong, and I do not know whether the General wants to say anything about it.

General OLMSTED. There will be an augmentation of the strength of the Japanese national police force, no doubt, which is contemplated now not from MDAP funds.

Mr. OHLY. I think you were referring to the economic side.

Mr. HERTER. Both sides, really.

Mr. OHLY. On the economic side the answer is our troops are on a partial pay-as-you-go basis, and the expenditure we are making in dollars in Japan for the support of those troops there is the equivalent of what we might otherwise have to give them as economic aid.

Mr. HERTER. As I gather it, the expenditure of the dollars there will balance the thing out.

Mr. OHLY. That is correct, sir.

Mr. HERTER. I take it that you intimated in the relief program for Korea, if there was a cease fire there, a considerable part could come from the Japanese economy again with the expenditure of dollars, and thereby help the Japanese economy.

Mr. OHLY. That is correct. If I understand it, the planning now going on with respect to post-hostility Korean relief does contemplate substantial procurement in Japan and other parts of Asia.

Mr. HERTER. From the military point of view, General, would that be done from equipment that is already over there?

General OLMSTED. That and/or indigenous production—financed indigenous.

Mr. HERTER. But it would not come under this program at all in any way.

General OLMSTED. Japan is not programed for.

Mr. OHLY. Mr. Chairman, if there are not any other general questions, do you want us to go on our country-by-country presentation, going through all of Europe, and detailing the programs in each one of these countries? We have just covered these problems generally and we are prepared to go through each of these countries, showing exactly the end items that are programmed for these forces, and what the countries will do from a military standpoint, and the way in which the economic-aid figures and the target military budgets have been arrived at, if that is the pleasure of the committee.

Mr. Judd. I want to ask one question, although it may have been taken up, because I was unable to be here yesterday. If it has been taken up, please stop me.

Doubtless you know, Mr. Bissell, that we discussed Belgium most of one afternoon. You were not able to be here so we decided to put the matter over. It merely illustrated the difficulties some of us have in finding a way to present plausibly to our colleagues, as well as to our own minds, the problem of how to get maximum production in all of these areas which have productive capacity beyond their own needs, and get their maximum productive capacity used for the building up of the military strength and economic benefit of the whole.

The illustration we used, of course, was mine sweepers being made in this country for Belgium, when there were countries in Europe that could make mine sweepers, and when Belgium was able to make small arms and ammunition that these other countries needed, but which she was not making for them because they did not have funds or were not provided funds to pay her for them. Besides, they would rather get it from us and have the American taxpayer pay for them.

I understand that you discussed this problem to some extent and said that counterpart funds could be used for that purpose. Is that the only way you see of trying to solve that problem, that is, just through the use of counterpart?

Mr. BISSELL. Mr. Judd, I mentioned two devices I think should be used in conjunction. I think in the case of Belgium both are applicable. One would be to take some of the funds in this bill, that is, some of the dollars, and procure mine sweepers in Belgium for the Belgians themselves, or for anyone of our partners.

In the case of Belgium I think it is one of the economies of Europe that is under less strain than, for instance, that of Britain or France. I would say that if we were to spend, let us say, \$75,000,000 or \$100,000,000 in this fashion in Belgium, to pick figures out of the air, that although a fair part of the dollars that the Belgians earned in this manner would have to be used to pay for additional imports because they would be producing more, that certainly with expenditures of that magnitude enough of the dollars would be retained so that it would probably eliminate any need for economic assistance.

The other device would be the counterpart device. That is, supposing we were to make available or send aid in the amount of \$50,000,000 here proposed. We could insist that the full amount of that counterpart should be made available, let us say, to other NATO countries in Europe to purchase mine sweepers or other items of the same sort produced in Belgium. You could use both of these devices to get the production.

I think if you go beyond some point, let us say, \$75,000,000 or \$100,000,000 in spending in that particular country, it would certainly

eliminate the need for any economic aid whatsoever. And, if you go still beyond that you would tend to build up their reserves.

Mr. JUDD. That raises this question: If Belgium were to do it with its counterpart, that is, provide small arms for France, which is next door, and if its own counterpart were not sufficient, then could you use some French counterpart in Belgium for arms to be produced for France?

Mr. BISSELL. Very definitely, Dr. Judd. That, more broadly, is a part of one of the two elements in this approach that I think we should use.

What I feel we ought to do, I repeat, as one element in meeting this problem, is to insist that each country begin to put aside some of the counterpart for a central pool or central fund. Probably I would suggest it should be used, on the advice of Mr. Herod and Mr. Batt of the Defense Production Board, to buy items wherever in Europe they ought to be produced. Then you can solve the exchange problem within Europe through the European Payments Union.

The only caution I want to repeat, which I mentioned earlier, is in the case of a country—and France may be one of them—which builds up its own budget to the limit, which we think it is in our interest to push it to. If they have counted on using the counterpart to meet some of their own budget, then obviously we ought to reconsider that policy.

Mr. JUDD. That brings up the next two questions that came out of what you said earlier. One is, How much counterpart is there available in these other countries to be used for this purpose in addition to the uses for which counterpart is now being expended?

The second question is, If that is a feasible method, why has it not been used in the past?

Mr. BISSELL. One reason why it has not been used in the past is that up to this moment it is still illegal for us to agree to the use of counterpart for military purposes. That is one of the changes we are proposing in this legislation. What I hope we can start to do if we have another continuing resolution in the month of August, and before we have new authorizing legislation, is not to authorize an actual expenditure of counterpart for this purpose, but at least to agree that the country shall begin to set it aside for this purpose, so that we would begin by the end of August, or September, to have some of it accumulated and ready for expenditure.

That is one reason why it has not been used. The other really is that most of the commitments of counterpart expenditures for this past year were pretty well made upward of 6 months ago, when this problem was much less real and much less acute than it is today.

Mr. JUDD. So at the moment there is no counterpart available for this purpose in substantial quantities?

Mr. BISSELL. There are some balances, and I can find out what those are. I think the uncommitted balance is pretty small.

Mr. VORYS. On that point I have been inquiring around. What is the uncommitted counterpart? Before we go to the individual countries, what is the total counterpart? I have a table here that says that as of April 30 the withdrawals were \$6,588.3. How much counterpart has there been and what is the amount that is uncommitted?

Mr. BISSELL. I think, Mr. Vorys, I am going to have to get that answer for you, but I think you would find if withdrawals are of the

nature of \$7,000,000,000, there is probably in the aggregate, and for all countries a pretty sizable sum. What the distribution of that is is something I cannot answer offhand. I would really prefer to answer your question when I have the facts before me.

Mr. JUDD. While you are waiting for that, may I ask this question of General Olmsted, if it has not been discussed previously.

One of the matters we brought up in Europe when we were there, General, was this question of their making not only spare parts and providing maintenance of end-item equipment which we sent over to them, but also the building up of their capacity to produce parts of the original assembly of a tank, let us say. That is, we make some of the parts, and they make some of the parts, and assemble them in Europe. We were told in Europe that our Military Establishment frowned on that because it wanted to be completely independent of outside sources in case something happened so that we were cut off. A tank is of no more use to us without some small parts that they can make, than it is to them without some of the big parts which we alone can make.

Is that the position that the Defense Department takes which, of course, is an understandable position, but which deprives us of many things that they could produce, such as components of these complicated mechanisms?

General OLMSTED. Mr. Judd, there are two categories involved in the answer to your question there. We are perfectly willing to build, let us say, receivers for the M-1 rifle, which is a complete part, and supply it to Italy or any of the other European countries, to be incorporated in their production of the end item, which is the rifle. We are perfectly willing to do that, but where we do not like to go along is where we get a request for components.

As an illustration, the French wanted to make, or have wanted to make, jeeps. As the engines and the transmissions were required from here and that would cut into the delivery of jeeps manufactured in the United States, which we needed badly, we said, "No. That does not make any sense." Those are our two views about the problem.

Mr. JUDD. But if we could produce some of these complicated parts in addition to our own needs without throwing our production out of kilter, and send them over to be assembled over there with the rest of the items which they can manufacture, then you would have no objection to that?

General OLMSTED. None whatever.

Mr. JUDD. In fact, you would encourage it, I would think?

General OLMSTED. That is right. We are constantly giving them drawings and specifications and trying to solve proprietary rights where patent rights are involved for these people, so that they can do that. Wherever we can produce components which would not interfere with the production of end items here in the United States we have no objection to approaching that kind of a problem.

Chairman RICHARDS. Mr. Bissell, I want to ask you this question. I want to get it straight. We left just about the time we were on that.

Did I understand you to say when you mentioned the figures for Italy that you were going to give the figures for Italy and what you figured it would have been without the military program? Is that right?

Mr. BISSELL. I did give that figure.

Chairman RICHARDS. All right. Are you trying to do that for the other countries too, and would you do that?

Mr. BISSELL. I have already gone through that and I will put the table in the record.

Chairman RICHARDS. Of what the difference would be?

Mr. BISSELL. Yes.

Chairman RICHARDS. That is fine.

(The table referred to is as follows:)

Estimated distribution of country aid, fiscal year 1952

(Million dollars)

Country	Total	Estimated aid if there were no expanded rearmament program	Aid request because of the expanded rearmament program
Austria.....	145	145	
Belgium-Luxemburg.....	50		50
Denmark.....	80	30	20
Free Territory of Trieste.....	4	4	
France.....	290	50	240
Germany (Federal Republic).....	175	100	75
Greece.....	250	175	75
Iceland.....	8	8	
Italy.....	275	75	200
Netherlands.....	155	60	95
Norway.....	40		40
Turkey.....	70	25	45
United Kingdom.....			
Total (14 countries).....	1,512	672	840

Chairman RICHARDS. Let me ask you something else. How long have you been associated with this Marshall plan program?

Mr. BISSELL. Since about the fourth day, sir, which was about the 10th of April of 1948.

Mr. HERTER. Since before it started, I take it?

Mr. BISSELL. Yes.

Chairman RICHARDS. Yes; since before it started. Of course, you pretty well know the set-up, and all that?

Mr. BISSELL. Yes, sir.

Chairman RICHARDS. Since you came into the program we have added Point 4 to it. That is, it has not been added to the program, but we have added Point 4 to the projects we have over there. Then we have added military assistance and military aid, and part of that will be for economic production.

Now, what do you think about setting up a new organization to handle it all, other than straight end items for the military program?

Mr. BISSELL. Well, sir, I would like to reply very briefly this way: I, for one, am absolutely convinced that the ECA as an entity should be terminated.

Chairman RICHARDS. As off?

Mr. BISSELL. I feel very strongly on this point, sir, that that should be done just as soon as legislative action by the Congress is completed and it is possible to do it and to know what the next stage ought to be.

Chairman RICHARDS. When do you think it is possible to do it without hurting the program? Would you say the end of 1952?

Mr. BISSELL. No, sir. I believe it should be possible to do it at the latest by the end of this calendar year.

Chairman RICHARDS. That is January 1?

Mr. BISSELL. January 1. I would like personally to see an outcome whereby whatever new organizational pattern is appropriate, is determined just as soon as possible after Congress has acted; and, whereby there was a clear decision that just as rapidly as possible the ECA will be terminated and a new organization would come into existence, and perhaps put a date on it, "no later than."

Chairman RICHARDS. There would not be any fun in just making a new organization to do the same thing ECA is doing.

Mr. BISSELL. I would say that, but I do not mean merely a change in name. I think this ought to be a real change. I am not going into the reasons for this because I think other witnesses have elaborated on it. For example, there was a job to be done. The major part of the original job is done and the organization that did it ought to disappear as such.

Chairman RICHARDS. Other witnesses' ideas on that were just as clear as mud. They have not said what should be done.

Mr. BISSELL. I have given you the first part of my answer. Would you like the negative part?

Chairman RICHARDS. All right.

Mr. BISSELL. Coming directly to your question, I think you will remember that Mr. Foster said there are several ways the organization of the executive branch of the Government could be created, that is, an organization could be created or the executive branch could be organized to handle this matter.

Without trying to say what all of those are—and I think there is an infinite number of them—I think they come down substantially to two.

I think one way is to set up a new agency, as an independent agency, as the ECA has been, to do approximately the several functions you outlined, that is, Point 4, military, economic aid in support of military production, and the other various related functions which are spread out rather far.

I think, broadly speaking, the other way to do this is to put the same collection of activities inside the State Department.

My own personal opinion is that those are the two most practical and promising of all the various alternatives that have been discussed.

I think if these activities are to be put in the State Department, some changes would obviously be needed in the internal organization of the State Department. I say "obviously" because no organization can absorb sizable new functions without there being some changes in its arrangement that would be appropriate.

I would hope if these were put in the State Department they would be under the head internally of a very senior officer within that Department who would report directly to the Secretary and the Under Secretary. But that is going rather afield from your question.

If you asked me which of these two alternatives is the better one, I genuinely, and stating my own views directly, find that extremely hard to answer. In the first place, I think I am probably a biased witness. Anyone is by his experience. I will say most earnestly and sincerely that I think either one of those alternatives would work well. I think my own personal view is that looking ahead for the long view it would be better to put this inside the State Department on one very important condition. That is, that the things were done

in the State Department that I think would have to be done to enable it to handle effectively a series of important ramified operating functions, that is, operating as distinct from policy-making jobs.

I think there would be rather drastic changes that that would call for because it would be a drastic step, and if you contemplate doing it looking ahead to the more distant future, that would probably give us a tighter governmental structure.

I think if those are not likely to be accomplished or if you desire to maintain the emphasis on the temporary character of much of what is being proposed here—and I believe it is most important to do that in dollar terms for the vast bulk of what is being proposed—if that is important those are two considerations that would, it seems to me, include the balance of advantage toward a new, comprehensive organization.

I would, however, make a very strong plea—and you may feel here I am splitting my vote, and I am not being responsive—but I would like to say this also with great vigor, just as I have said the other, that I think the change should be made promptly, because an organization like ECA cannot be held together as an efficient going concern for months and months either in uncertainty or as a dying organization.

The other point I make with great emphasis is that I do think this whole bundle and collection of activities ought to be put together in each of the two alternatives I have forecast—and there may be others, and there are others that would accomplish the result, I am convinced.—But I believe that they all ought to be put together in order to maximize our favorable impact on the rest of the world, and to minimize the cost, and to minimize the frictions between agencies as well as to minimize the cost in administrative personnel required, and for a whole variety of reasons.

However, I hope myself we will move in the next month or so toward a clean-cut action in one of these two directions

Chairman RICHARDS. Do you think we could do that and not hurt the existing program? Do you feel you could bring about that reorganization by January 1, getting the men needed in the new program from existing organizations?

Mr. BISSELL. That is my conviction, sir, if we get clear decisions all the way through.

Chairman RICHARDS. What would you do with the rest of the military aid, such as end items?

Mr. BISSELL. It seems very clear to me, sir, that the Military Establishment has to do the job, and it is really two jobs for the United States Government. They have to do the whole job of procurement in the United States of military items, because to try to split that in two pieces I am sure would lead to the wildest chaos. I think if there is going to be any procurement of military end items anywhere else, that if anybody else does it, military personnel will be prominent in it because it embodies a whole series of military decisions that so largely shape this kind of a program—the decision as to how many tanks you need; how many heavy and light tanks; and even to some extent, to an appreciable degree, the decision as to whether to concentrate the production of certain items abroad and of certain items here. Those are the decisions which have a very large military content. I gravely question whether any new agency, or, for that

matter, any existing agency other than the military establishment ought to make them.

Therefore, I think no matter which of the two alternatives I have forecast is adopted, the Military Establishment of the United States Government will have to do the job of military planning and of procurement planning in large measure, speaking of the procurement of end items. That would have to be done and it certainly has to do the whole operating job of military procurement, and that seems to me to be substantially what the Military Establishment is doing now.

Chairman RICHARDS. What worries me about that is this: If you do that, that would be the province of the armed services, and the Armed Services Committees of the Congress. What bothers me about it more than anything else is the need for end items. The volume of them would depend largely on the success of the military plan for production of end items overseas. There you have two separate fields.

Mr. BISSELL. That is correct, sir.

Chairman RICHARDS. And whether you could bring them together without injury to either operation is the bothersome thing to me.

Mr. BISSELL. I think, Mr. Chairman, it is possible that that element, if you like, of the end-item program, could properly be made the province of a part of the Government other than the Pentagon itself. Even there my feeling is it would have to proceed pretty cautiously in so doing. I think properly staffed and organized civilian agency could do the job of appraising European production capabilities. They would know a lot about what the Europeans would be able to turn out. They obviously are not going to know and are not going to be the proper people to appraise the needs of the European forces. We do not know, and I do not think there is any point in creating the new civilian organization to try to be experts on how many small arms, or tanks, or artillery a Belgian division ought to be equipped with. That seems to me perfectly clearly to be a military problem. So it is quite apparent to me up to the point where someone has decided what the Belgian or French, or other division needs in the way of equipment, that is a set of decisions that ought to be primarily a military decision.

When you get to the question of should we try to produce the small arms in Belgium and help them in doing it, or whether we should do it here, there very clearly the economic judgment enters in. However, that is not exclusively an economic judgment because a very strong strategic element enters into that.

I think it would be most unwise to make organizational arrangements that tend to leave that element out of it.

So again I think, not giving a completely effective answer, because I think there is something that needs further thought there, I think that dividing line is a difficult one to draw. It is easy to see you can separate out the decision as to how much money for end-item purchases ought to go to this country or that and say that that could be a civilian decision. However, I am not so sure of that, because that is all tied up with these other decisions I have referred to.

So I think I have to say to you that I cannot give an affirmative proposal at any rate that would completely satisfy me on that precise borderline between the military function and the civilian. There is

a whole set of functions that I think are to me, in effect, civilian, and pretty clearly ought to be, and I think they should be brought together.

Chairman RICHARDS. If you did that and fathered a new set-up and it was not placed in the State Department, would you place a termination date on it?

Mr. BISSELL. I would most certainly on the program. That, I think, is a very easy question to answer. Whether you place a termination date on the organization is a little bit more difficult, but I think I would be disposed on the whole to do so.

Chairman RICHARDS. If you put it in the State Department you would not be disposed to do so?

Mr. BISSELL. No, sir. I think in a sense the reverse is true. If you want to build a sizable permanent organization, which we may well want to do, that to my mind would be a reason for putting it in the State Department.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. You said if it went in the State Department there were two or three very specific suggestions or changes that would have to be made. Would you mention what those are, and what your suggestions are along that line?

Mr. BISSELL. I am perfectly willing, sir, to put these forward, and I hope you realize these are personal views and I advance them as nothing else.

Mr. VORYS. I can say that everybody here appreciates your complete candor and sincerity in what you are saying, and it will be very helpful. It is understood on and off the record that we are dragging it out of you, and you are not coming here and volunteering it.

Chairman RICHARDS. Also, we know how much experience you have had in this thing, and we appreciate it.

Mr. JUDD. We have to go by somebody's judgment. We ourselves have not had the experience, and we need a frank sharing of your experience.

Mr. BISSELL. Sir, I think I can give the main change if it is understood by all concerned that I am using the license of purely personal views. I think I would put it this way:

I hesitate with a number of military gentlemen present to make any reference to unification. Nevertheless, my conception in effect would be to create, you can say, including in a sense in the place of what is now the State Department, a structure rather parallel to that which has been created in the Pentagon. Specifically, I have in mind that a possible pattern would be a Department of Political Affairs, a Department of Foreign Economic Affairs, and possibly a Department of Foreign Information, psychological defense, and similar activities, having all of them under and in the line of command sense, under a Secretary of State who, like the Secretary of Defense, would not be clearly and closely identified with one of the pieces, but would truly—and having regard to the persons on his own staff, the staff that would correspond to the staff of the Secretary of Defense as distinct from the separate service departments in the Pentagon—would truly be objective as among the different departments under him, and with no closer tie to anyone than to any of the others.

My feeling is that that is the most promising pattern of organization, if as a long-run major change in the United States Government we are to move in that direction.

Mr. VORYS. If you had unification of our economic and nonmilitary foreign activities in the Department of Foreign Affairs, or State—and it would not make so much difference what the label was—the idea would be that you would have a Department of Defense for the military, and one that was economic, and so forth, and that we would hope that that would constitute a team. Also, we would know that if they got into bad enough spats between them they would have to go to the President or the Chief Executive.

Now, just for the sake of keeping the civilian over the military, because traditionally the Secretary of State, until Harriman came along, was supposed to be the chief adviser to the President on foreign affairs, they would not be quite equal, but in some way or other you would have to put foreign business under the Secretary of State or the Secretary of Foreign Affairs, would you not?

Mr. BISSELL. I think that is what is implied, sir, in that outline. I would rather not have these remarks interpreted as expressing a conviction any more than I have earlier that one of my two alternatives is necessarily better than the other. I do not think one can make, frankly, if I may venture this opinion, a good judgment about what should be done for the next 2 or 3 years without looking at the short run as well as the long run.

However, it is my own personal conviction that if we are to move toward a consolidation under a Secretary of State that that sort of pattern would be in order.

Mr. HERTER. I was wondering, in line with what you are saying, if I could ask the general a question?

Chairman RICHARDS. All right.

Mr. HERTER. I start with a couple of assumptions. One, that you agree to the initial organizational suggestions made by Mr. Bissell, with which I heartily concur, from the point of view of relationship between the military and civilian in this operation. The second, that the total number of dollars involved is not in question. Then would it not be the simplest type of operation for the military in the distribution of the end items merely to have authority to distribute from your total production a certain amount to foreign nations as you saw fit to let them have it?

In other words, instead of our pinpointing so many dollars for military aid for one country, and another country, and another section of the world, and so on, it is a matter of military judgment as to how many tanks, guns, and so on, should go to any individual country, is it not?

General OLMSTED. Yes; that is right.

Mr. HERTER. Entirely military?

General OLMSTED. Yes.

Mr. HERTER. You are responsible for security and where you put your material of war.

General OLMSTED. That is right.

Mr. HERTER. That is, of the total material of war, as to where you put it?

General OLMSTED. That is right.

Mr. HERTER. If you have the authority to put that where you see fit to put it in foreign countries up to, say, a percentage of the total of your production of this material of war, and assuming again that

you have the money which you think will keep these pipelines full to the extent of allowing the economy of the United States to bear its load, would that not be the simplest type of operation for the military to conduct?

Then, you come to the question in the foreign field of procurement. You would consult as you do now through your country teams on the placing of any end item, or supplementary offshore procurement in those countries, and at the same time plan orders through your procurement agencies in consultation with the people who are studying the over-all economy and helping to put the heat on the building up of the local production?

General OLMSTEAD. I will have to qualify my reply, as Mr. Bissell did, by saying that this is a personal view. So much is fact: Such a plan as you suggest would greatly simplify and speed up the procedures all the way down the line. I am not prepared to say there might not be offsetting disadvantages, but let us look at the facts that are incontestable. That is one. It would greatly simplify and speed up the procedures.

From a practical standpoint, when we place an order for so many end items, we do not differentiate in the supplier's mind as to whether those items are ultimately used for United States forces or for foreign military aid and certainly not for one of our allied countries.

Oftentimes the procurement, as implemented now, might not ultimately be allocated when the items come off the line because of a change in the priorities or the situations.

Another factual statement: Prior to Pearl Harbor in the lend-lease set-up, which was comparable in those days to what our problem is now, there was no dividing of the funds or the appropriations between the civilian lend-lease and the military lend-lease. However, with the exigencies timewise and volumewise that came upon us after Pearl Harbor, the only practical means to solve the problems was to do just exactly what you have suggested, and that was what was done. There was no differentiation from the time war broke out between the funds that were made available for United States forces and those that were made available for the military portion of the lend-lease aid.

Mr. HERTER. I was going to say the funds are intermingled and they just come from two different appropriations, as things are now. They might all just as well be lumped together and the authority given to you to allocate the material as you see fit in these countries within such bounds as the Congress wants to set.

General OLMSTEAD. I would like to make it clear to you I think that in this foreign military aid, the military aspect of the foreign-aid program, that although rearmament is essentially a soldier's job and only in our procuring services are there the necessary experienced people to implement it as of today—and I might add, some of the European countries do their military procurement through civilian agencies, but I think that they have problems that we do not have because of that—nevertheless I believe that there are political and economic considerations involved in this foreign military-aid program which would make it essential, irrespective of the organizational structure, that at the Washington level, at the regional level, where we have a regional command, and at the country level, that there be

constant integration between the representatives of the United States in the diplomatic and military field.

Mr. HERRER. You have to do that in any case.

General OLIMSTED. That we have. I also suggest in your decision it might be important to have in mind that eventually one of two things will come about. Either there will be a war, in which case the theater commander becomes all-powerful and the organizational structure should not be such that it could not be separated out into a strict military organization for the prosecution of the war; or, there will be peace and these countries will ultimately attain a level of rearmament and self-sufficiency, and again your structures should not be such that the normal training functions, not only tactical training but logistical training functions that have to be implemented between the United States in relationship to its allies—the structure should be such that that would not be interfered with.

The United States learned in the last 10 years to fight a war effectively alongside of allies—in World War II, in Greece, and now in Korea.

(Discussion off the record.)

General OLIMSTED. Nothing we do with our organizational structure in my judgment should interfere with the development of that process, which is making very good progress, as evidenced by the fact that, as you know, in Korea our Greek and Turkish representatives there have fought very well.

Chairman RICHARDS. Frankly, it is going to depend on cooperation anyway. The military has the say-so now about certain things, and that works out all right, but here is what bothers me legislatively. In last year's armed services bill, or the year before, I think, we had a provision where certain ships were to be transferred abroad. That might be described as being on all fours with saying that 15 percent of these end items would be used.

A complaint was made about the transfer of these ships. You have a committee that has been dealing entirely with the military side and has not been studying this problem as it is interwoven with the economic situation abroad.

The Armed Services Committee said, "We want these ships for our own country and our own people." A law repealed that provision that was included in the law that we passed out of this committee, and enacted into law, and repealed a provision authorizing them to transfer so many ships. They then took it upon themselves to validate what they had already done by legislation coming out of their committee.

The point that bothers me is this: If you accomplished the results, it does not matter what committee it comes out of, but here is a field, the end-item field, which is interwoven with economic recovery abroad of both types. The need for these items is interwoven. That is a field that does not come within the jurisdiction of another committee, which would naturally assume this jurisdiction after this year and which should come within their jurisdiction if the military is going to determine it.

That 15 percent should go in the military budget if it is worked out this way.

There are two houses here, and you do not understand the problems of each one unless you understand how each is interwoven with the

other. That is my concern about the end-item proposal, such as Mr. Herter advocates.

I do not know any man who knows more about this whole program in Europe than he does, because he has been studying this matter for years. However, we say, "Goodby. We are through with it."

The answer to that, as I see it, is that you say these men must work together and must consult each other before they do these things, but then you establish two entirely different jurisdictions.

Mr. HERTER. May I say a word there?

Chairman RICHARDS. Yes.

Mr. HERTER. I do not think you establish two entirely different jurisdictions. What this committee is doing is reserving to itself the right to determine what proportion of the total may be turned over to foreign countries. That is within the foreign affairs angle of the problem. You have a good many other things. You have the military training of foreigners, for which money has to be authorized, the question of offshore procurement, and so forth.

In your authorizations for all of those things you have to come back to this committee each year. They would not fall in the province of the Military Affairs Committee. They would come back here because they are in the foreign field and have started here, and I am assuming would continue here.

All I am saying is that the total appropriation as to what our economy can do for the production of military goods would remain with the Appropriations Committee, and I do not think we are qualified to judge on that ourselves here.

Chairman RICHARDS. You are talking about authorizations coming back here, but what about the ship incident that I mentioned?

Mr. HERTER. Let us take a look at this table here. Here we are with I do not know how many ships. There are several hundred ships to be transferred to foreign countries right in this table here. If the Military Affairs Committee can overrule us on that, what of it?

Chairman RICHARDS. You will see when we get on the floor of the House with that.

(Discussion off the record.)

Chairman RICHARDS. It is just a question of authorizing the transfer of ships we use in our own defense establishment over which another standing committee of the House has had jurisdiction, and that caused the friction.

Mr. O'HARA. I am from the Comptroller's office of the Department of Defense. There are two problems, really. One is in connection with the ships that are affected by this law. As long as appropriations are made for Mutual Defense Assistance, whether they be made under the present pattern or some other pattern that the committee and Congress decide one, is not of particular significance, but as long as they are made for aid to foreign countries, as such, identified with an appropriation, those do not become the property, when they are procured with those funds, of the United States Navy, as such. They are the property of this program and therefore their transfer is not affected by legislation that affects the Navy.

If they are produced, however, with the appropriations made to the Navy for the construction of ships, at the end of that construction they are part of the naval ship list of the Navy and may not be trans-

ferred without the consent or specific legislation authorizing that transfer, which would go through the Armed Services Committee.

Captain ASCHERFELD. May I say that every vessel for which funds are asked to be appropriated for the 1952 program, is new.

Mr. JUDD. What was that?

Captain ASCHERFELD. Every vessel in the 1952 proposed program—

Mr. JUDD. This military assistance program?

Captain ASCHERFELD (continuing). Yes. Will be furnished from new procurement and new construction.

Mr. O'HARA. Through the use of Mutual Defense Assistance appropriations.

Captain ASCHERFELD. That is right.

Mr. O'HARA. Which does not involve the property account of the Navy.

The other thing that is proposed here is the need for meeting the flexible program that is developed out of the economic assistance program, and stimulation of additional production in Europe. That would fall in two different fields. For example, the present program might consist of considerable production of ordnance materials in Europe. It might be found on investigation of Mr. Bissell's agency that Europe is more nearly ready to pick up a larger share of electronics production. Should that case occur, if you are using an appropriation to the military departments as a measure, the appropriation for the Ordnance Department, for example, would be too large. The ordnance service and supply appropriation would be too large to provide the material required for Europe. You would either have an extra production for American purposes beyond that which you contemplated, or you would have some other dislocation within that operation. On the other hand, your Signal appropriation would be too small.

In other words, the present program does have in it the items that these countries need, which the present outlook indicates they will not be able to produce. Minor deviations from that could not be handled if you are subdividing in your appropriation for this purpose among the sixty-odd appropriations of the Defense Department that are available.

Mr. HERTER. You are speaking only of minor deviations?

Mr. O'HARA. There are some minor deviations, but there are some 60 appropriations for the Department of Defense.

Chairman RICHARDS. Considering the way it is set up in the Department of Defense, it might not be proper to put a block in any legislative machinery. If we allocated a certain percentage of new production to send abroad, that would be for this program, but what are you going to do if the United States Armed Forces want to use the new tanks that come off the line and send the old items we already have to these other countries? That would be items like these ships?

Mr. HERTER. You still have a few billions left.

Chairman RICHARDS. There was material in this program which was authorized and appropriated for under the budget of the Defense Department.

Mr. HERTER. To my mind, without wanting to get into a full-fledged discussion of the question here, those are none of them insuperable arguments. I think they can all be taken care of legislatively. How-

ever, it is terribly important to find out what the budgeting problems are from the point of view of the transfer of these things, and the bookkeeping system.

Chairman RICHARDS. I think there will be a lot of arguments about that military item.

Mr. JUDD. Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. I would like to ask Mr. Bissell this question: In discussing the two alternatives that you thought were the most feasible you said that if these functions were all lumped together in the State Department it would require certain substantial internal changes in that Department.

On the basis of your experience, do you think that those changes could be made in an old-line agency with anything like the promptness and sharpness that are possible in establishing a new agency? I am more concerned right now about what is going to happen in the next 2 or 3 years than I am in the long-range problem.

It seems to me that we have the most urgent factor for the present is the time element. In a sense we are going along now only by reason of Russian sufferance. Since time is so important I would prefer the one under which you think it can be done most quickly, promptly, and sharply.

To come back to the question, do you think the changes you seem to prefer can be worked out in the State Department or any other established old-line agency in time?

Mr. BISSELL. That is not an easy question, Dr. Judd. I think I am inclined to share the view that you have stated or implied. I think usually you can make more sweeping and decisive changes in organization, and you can get advantages of a freshness of view, and you can sometimes get advantages of new people more quickly by starting a new organization. It is a very difficult process, as you rightly say, in any permanent and long-established organization to make the changes very quickly.

Mr. JUDD. That is right.

Mr. BISSELL. I think, by the way, by the same token, that a temporary organization, so-called or actual, after a few years begins to lose the advantage.

Mr. JUDD. That is right.

Mr. BISSELL. I think that is one reason why ECA ought to be terminated and that that ought to be more than a paper transaction. That is really what I had in mind when I said I think one must look at the short run as well as the longer run. I think that that is as far as I would like to go.

Mr. VORRE. Mr. Chairman, before we ask the last of these triple-threat men who are here for his general views, I would like to have General Olmsted's opinion on whether we should have a separate economic organization, or whether it should be part of the State Department, in view of what has been said here.

You told us about the military end. Mr. Bissell expressed himself freely and frankly about the military end. Now, will you express yourself about the economic and political end of it?

Chairman RICHARDS. Before we close here, I want to say we want to hear the other member of the triplets on this thing also.

General OLMSTED. May I say something to you off the record?

Chairman RICHARDS. Off the record.

(Discussion off the record.)

General OLMSTEAD. My frank opinion about your question, Mr. Vorys, is that I do not think the organization structure is really the determining issue there. I think that competent management, both at the Washington and the regional level, as well as the country level, will get you the desired results, irrespective of how the thing ties together here.

I would say I agree with what Mr. Bissell has said, that if it is to be within the State Department there should be a division or corps of people who are specialists in the economic field and who can tie or lay their judgment down alongside and parallel to the people who are thinking essentially in terms of the diplomatic or political considerations. That, I think, makes an awful lot of sense.

Chairman RICHARDS. Mr. Ohly, how about letting us have your views about this thing?

Mr. OHLY. First, I would like to address myself to Mr. Herter's proposal. I am sorry he is not here.

It contemplates putting an authorization in a military appropriation bill so that up to a certain percentage of the amount appropriated might be used to ship military material to other countries.

In the first place, I think the amount of foreign aid should not be expressed in terms of a maximum permissive percentage. I think it ought to be a definite figure. We have to, in our planning ahead, know specifically what these countries are going to receive, and these countries have to know approximately what they are going to receive.

In the second place, Mr. Herter's proposal contemplates that the Armed Services Committee and the Appropriations Committees would determine that military aid may be sent anywhere.

I think one of the virtues of having foreign aid handled in this committee and one of the virtues of bringing the State Department into this picture is that there are political judgments involved as to whether, and if so, what amount and kind of, military aid should be sent to, let us say, Indochina; as to whether military aid should be sent to Australia. I think any foreign aid statute, such as the Mutual Defense Assistance Act, which you prepared in this committee should place certain restrictions or set certain guide lines as to how much assistance should go to any one part of the world. It is not a purely military decision.

If we were in the midst of a war, where military operating considerations require a complete munitions allocation approach, as during the last war, that is a transition we would have to make. We are not at war, although we do have hostilities in Korea. This is a peacetime program designed to prevent war, and in such a program I believe the political judgments are rather important.

I would like to say this parenthetically: While I have been with this military assistance program in the Department of State since January of last year, I was in the Department of Defense as a special assistant to Mr. Forrestal during the whole time that the program was being developed. It was the recommendation of the Department of Defense that final control over this program should be placed in the Department of State, and for the reasons I have outlined, and, in addition, because it was recognized that in the actual conduct of the program, when you got down to the country level, you must use your

Ambassador. You must use him for negotiations, and you simply have to tie the program in with your total diplomacy in that country.

The solution chosen in the Mutual Defense Assistance Program is only one solution. The solution Mr. Herter suggests is a perfectly possible solution, but the foregoing are some of the reasons why I think it is not the wisest. It would in certain respects simplify procedures, but I do not believe it would simplify procedures very much.

The Military Establishment has still got to go through the whole business of programming out this foreign aid item by item and country by country, of placing contracts for these items in connection with their own contracts, and of meshing the production of these items with their own production schedules. The problems of developing and filling requirements remain the same under either solution. They have to do that with the things that are going to go out to these other countries. It would, however, simplify your bookkeeping in that you would not have two columns in your books—an MDAF column and a straight defense appropriation column against which to make an entry when a given item comes off the production line and is shipped. It would simplify accounting and eliminate certain reports, but I would like to suggest that the great bulk of the procedures which one has to go through in operating a program of this kind would still have to be gone through under Mr. Herter's proposal if the job was to be done in an orderly fashion.

So in my own judgment, while we had certain, what you might call, institutional frictions between the two Departments when the program was getting underway, I think it is the judgment of most of us that the relationship has been a good one. It has worked and the Department of State has not attempted to substitute its own judgment for the military judgment of the Department of Defense. Where it has made a contribution it has been because there were political considerations involved.

Let me give you examples of some of the political considerations involved in these programs, even in the selection of items for them.

The Department of Defense proposed some time ago that we send a lot of napalm bombs to a Far Eastern country for use against Communist guerrillas operating there. Undoubtedly, they are very effective weapons from a military standpoint.

It was the judgment of the political office in the Department of State that the use of that type of fire bomb, with the widespread damage it would cause to the inhabitants and farms in the areas where the guerrillas were operating and which we were trying to win over from supporting the guerrillas, would do more harm from the standpoint of creating people who would join with the guerrillas than any advantage you might derive from its use in terms of the number of guerrillas you might wipe out.

I do not recall now whether the final decision was to send the napalm bombs or not, but that is one of the kinds of things that come up.

In another country several years ago the military proposed that we start a jet aircraft program. The State Department agreed there should be such a program. However, to start a jet aircraft program for this country meant starting training for jet aircraft pilots a good many months before your program really got into operation. That

meant notifying the other government, and the news becoming public, that we were going to furnish jet aircraft to its forces.

It was the judgment of the Department of State, whether rightly or wrongly, that public notification that we were putting in modern striking aircraft in this country might be considered a provocative act. Therefore, we talked the matter over and decided to wait 3 or 4 months until the situation appeared to be better. We then went ahead and approved that program.

Similarly the Department of Defense wanted to use MDAP funds to construct airfields in a particular country. The political people in the Department of State had the feeling that such action might be misconstrued and viewed as the setting up of a series of United States bomber bases under the cover of MDAP operations. So at the particular time, because this might have been provocative, it was felt we should postpone action, or at least arrange to have the fields in a different part of the country than had been originally planned.

In several cases, also, the purpose of a military assistance program is economic or political in character. That is the kind of a case, certainly, where political and military people must work closely together in developing the program. I think I gave an example in this committee last year of a situation of this type which we had in Burma. Burma is a country which is served by two main rivers. The whole country is dependent on the exports that are brought down the river from the north, such as teak, and the people in the north depend on the rice that comes from the rice bowls in the south. There vital lines of communication were cut off by river pirates and Communist groups. The problem was how to make traffic move over these arteries so that the economy of that country would not stagnate.

It was discussed with the Department of Defense and the Burmese Government, with the result that we sent 10 excess Coast Guard cutters over there after they had been rehabilitated. These boats have been a very important factor in helping to keep the rivers clear and thereby in preventing the throttling of the Burmese economy.

Another case where the political factor comes into play is in a situation like that presented by Italy. Today we are operating under the limitations of the Italian Peace Treaty. Consequently we have to look at all items in any military program for Italy to see whether, from the standpoint of proper treaty interpretation, they can be included.

I might also mention the problem of Indochina. In Indochina, as you all know, you have a very delicate balance between the French Government and the governments of the associated states.

In Indochina we are trying to do two things, namely, to provide military equipment to the French, so that they can conduct this holding operation in the north, and at the same time to build up the forces of the local governments of Vietnam, Cambodia, and Laos.

We are also trying to build up the integrity and independence and self-sufficiency of those local governments. It is therefore very important not only from a military but also from a political standpoint, that the allocation of equipment between the French Union forces and the forces of the associated states be done in a very careful manner.

(Discussion off the record.)

Mr. OHLY. Again I state we never try to interject a military judgment in place of the military judgments of the Department of De-

fense, but we can contribute, and I think we do contribute, political considerations which often materially influence military programming. Moreover, we can throw the whole weight of our diplomacy in these foreign countries into getting the support from those countries upon which the success of the program depends and into making proper use of the things that we send over.

So I think there are many advantages in tying these things in closely, as we do today, with the Department of State.

Chairman RICHARDS. Right there, suppose you tie it down and say, "It is all right to send 15 percent of this material but we say what kind of material it is and whether it fits in with the political side of the program." You would still have that.

Mr. OHLY. I submit, sir, you would have essentially the same situation then that you do today. I am talking purely to the military program right at this moment.

Chairman RICHARDS. Yes. You think you would have essentially what you have now. In effect it would be. Well, it is getting pretty late, gentlemen.

Mr. VORYS. We do not have his answer on the economic end of it.

Chairman RICHARDS. Let us get that. Can you answer that in 5 minutes?

Mr. OHLY. Yes, sir.

Mr. VORYS. ECA or ACE.

Mr. OHLY. I will give you my conclusion first and then I would like to suggest a process of analysis which I think might be helpful to this committee. Then later I would like to point out what I think are essential differences in the present problem from the problem which we faced when we set up ECA 3 years ago.

I do not know that these differences necessitate a different organizational result but I want to point them out because there has been an assumption in the minds of many of the witnesses, and I think on the part of some members of the committee, that the problem of relationship between agencies is the same problem of relationship which we had when we set up ECA 3 years ago.

Mr. VORYS. It is not in my mind, but go ahead.

Mr. OHLY. In the first place I believe there should be an independent economic agency, or an independent agency to administer economic aid. I personally believe it should not be placed in the State Department, and I think the dislocations involved in putting it in there are such that the process would be a long and difficult one, as Dr. Judd suggested.

I have some doubts as to whether to place point 4 in that agency. My own inclination favors doing so, but I can give one important argument for a different result.

In the first instance at least, the ECA operation was an operation of supplying goods and commodities on a rather large basis to meet balance of payments deficits.

The point 4 operation has been a much more intimate grass-roots operation involving technical personnel working at the village level in various countries. I would not want to see that type of personal grass-roots approach, which I think is terribly important, swallowed up in a very large supply operation. That would be a fear on my part, except for the fact that ECA has in the last year been conducting in the southeast Asia area, through its special technical

missions, operations that in many ways resemble the point 4 operation. They are usually point 4, plus a little more in terms of supplies and economic support, but they resemble it.

I do not know—and cannot judge from my own examination, because this is a part of the program I know much less about than the military side—whether it might be possible to bring point 4 into this organization without losing this very different and very valuable type of approach which I think has characterized point 4.

I think, certainly, if you did have an over-all economic organization of this kind, you would want to recognize this distinction in its internal set-up, and have one part dealing with supplies, and another one concentrated on the kind of things Dr. Bennett and his organization have been concentrating upon.

I think the big question is not whether you have this separate agency, which I believe we should have, but where you place the focus of responsibility for tying this whole thing together. In other words, where is your top administrator, and what kind of duties and authorities do you vest in him?

I do not think that the economic and military programs, either in their formulation or their conduct, can be separated out as completely as we sometimes do in talking about them. They are two distinct operations, but they have to be blended together and not just in a single policy decision early in the year that a certain country will get X amount of military aid and Y amount of economic aid. They have to be blended and harmonized as you go along, and adjusted as you discover new production possibilities in a country.

If the country fails to meet, or exceeds, a military force target; if its legislature appropriates the budgets you had anticipated, or something more, or something less; if it undertakes, fails to undertake, or surpasses the production goals that have been set—under any of these circumstances you have to reexamine and possibly adjust your programs. You have to adjust not just the economic side of the program, or the military side of the program, but you have to look and see in what way those total resources you are going to use for this particular country can have their maximum impact.

I would like to give you an illustration which comes out of our experience of the last few months. I guess it was in January, that ECA made the decision that it would no longer allocate economic aid to NATO countries from the balance of its fiscal year 1951 funds purely on the basis of the so-called Snowy-Marjolin formula. It was decided that the amount of economic aid still available for allocation by ECA should be related to the commitments of these governments to increase their military expenditures, and to engage in a series of specific military tasks.

Representatives of the State Department, the Department of Defense, and ECA sat down together, here in Washington, and similarly in the embassies overseas, and decided just what do we want to urge each particular country to do over the next 6 or 8 months? What do we think they can do? How much economic assistance do we need to provide them with in order to permit them to do those things we want them to do?

That involved the three agencies going over jointly the military budget of the country. ECA would examine the budget from the standpoint of its total adequacy, from the standpoint of what the

ECA thought the country could spend for defense from the economic resources available to it. The Military Establishment would make a study from the standpoint of seeing whether the production scheduled under the budget made sense, and whether we should try to persuade the country to produce different items. Similiar consideration was given to the forces prepared and the facilities to be provided. We might think they were spending too much for things like cavalry farms, and that they should be taken out of the budget. Through such studies and joint consideration we developed a Government position with which we went to the other government and said, "If you will pass a budget of approximately this size"—and you can never be exact in these things—"and will concentrate under that budget on these types of production on raising forces of the size you say you are prepared to raise, et cetera, then we will be prepared, within a certain period of time, to provide you with this much economic aid."

That process has been gone through with every one of the North Atlantic Treaty countries to which we have been extending economic aid, and it is a continuous process. It is going on right now in terms of the kind of things we will ask these governments to do if we receive the appropriations we are requesting, and in terms of what we would be prepared to do by way of economic aid if they will reach not only the level of military effort which we believe they can, but also channel that military effort into certain particular channels.

That means that administration of aid becomes in part a continuing process of persuasion, a continuous process of trying to persuade these governments to do things that are difficult for them to do.

Mr. VORYS. Would you permit an interruption?

Mr. OHLY. Surely.

Mr. VORYS. Could you tell of your batting average, or give a guess or an estimate, any of you here, as to how much, if any, the military budgets have been raised? I want not promised to be raised, but how many of them have been raised during the course of the year, and how much?

Mr. OHLY. All of them, Mr. Vorys, have been raised, and raised very substantially. I could give you the figures of the 1950 military budgets as compared to the 1951 budgets. For Europe as a whole their budgets have gone up \$2.8 billion. We run into certain problems in stating this accurately due to the fact that you have conflicting fiscal years in these countries.

I have a table here which I believe we furnished to the staff of military expenditures and budgets in each of these countries.

Mr. VORYS. All right. That is good enough.

Mr. OHLY. I believe very sincerely that part of that increase has been due to the continuing process of persuasion that has been going on.

Mr. CARNAHAN. It has also been due to the fact that you supplied the economic assistance which permitted them to come through with this extra military assistance.

Mr. OHLY. That is partly correct. Of course, a good deal of the economic assistance they have really needed for economic purposes, but we have conditioned it upon their agreement to undertake certain military tasks.

Mr. CARNAHAN. That is what I am saying. They felt they had to have additional economic strength before they could do anything

much themselves, and until they did get it they could not devote their efforts effectively to anything else.

Mr. OHLV. That has certainly been an influential factor. I do not want to leave the impression that many of these countries have not been eager and desirous of increasing their budgets, because they have been. However, I think the process of persuasion and of negotiation has brought them further along than they would otherwise have come.

Obviously, if you are going to carry out a continuous negotiation of this kind it seems to me you have to tie together the activities of the three agencies and that the conduct of the negotiations must be under the general direction of your Ambassador who is the principal representative of the United States in those countries. You have to remember that in many of these countries a request to increase their military budgets is only one of 50 things we may be requesting from a country at a particular time.

We may also be trying to get them to send troops to Korea; to vote a certain way in the United Nations; to increase their forces in Indochina; to sign various trade agreements. We may have all of these things under negotiation at a given time and we must consider them together so that priority matters receive priority attention and so that, as a whole, our negotiations achieve the best aggregate result.

I believe that means the State Department and particularly the Ambassador must play an important role in the conduct of all these programs.

If you will bear with me a few minutes more I would like to suggest three ways in which I think the problem we now face is different from the problem we faced at the time we set up ECA.

First is the fact that in the European recovery program we were essentially doing something which the Europeans wanted us to do. We were pouring goods into Europe to help them get back to a decent standard of living—a level at which they could subsist. In doing that we sometimes asked them, as a condition of our aid, to do things which were unpopular with particular special interests in those countries. However, on the whole our aid was welcome. It was not a tough bargaining problem in the same sense that we have a tough bargaining problem now.

The problem we have now is to get these countries, with the help of our aid, to do things that are difficult for them to do. They are difficult to sell to their parliaments. It involves negotiations of the type that I have been talking about—negotiations of a type which involves our total diplomacy and which I do not think were involved in the day-to-day conduct of the European recovery program.

I would be very interested in having Mr. Bissell's comments on that, but that is a personal reaction.

In the second place, we should remember that this whole program in Europe is designed to carry out the purposes of the North Atlantic Treaty Organization and to support the decisions which are being made from day to day in that organization. It is not an operation which is being carried on unilaterally by the United States, even though we now reserve to ourselves the right to make the final decisions on the program. That means that you cannot conduct this program, or at least place the central direction of the program, in a different place from the one where you place the central direction over the participation of our representatives in all the North Atlantic

Treaty Organization countries. We cannot have Mr. Spofford taking a position in the deputies inconsistent with any of our aid policies, or receiving his instructions on what to do from different people than the people who are administering aid. The two have to be tied together.

The people who are handling the North Atlantic Treaty Organization have to be the same people, at least in Europe, who are working on the problems of military and economic assistance to Europe.

Chairman RICHARDS. Granting all that, ECA is an independent agency now, but the very things you are talking about now as desirable are being done. You are saying that it works very well. If it will work in the case of one or two organizations, why would it not work with one or two other functions?

Admittedly you are talking about essential aspects—policy collaboration and over-all direction from the President to the State Department. That is what I mean. You have to have it. There were a few people who may have contended that it did not have to be when ECA was set up as an independent organization, but there was not anybody who had anything to do with it who did not admit there had to be that collaboration.

Mr. OHLY. The thing I am stressing, Mr. Chairman, is that the type of relationship between this independent economic agency which I said I believe should exist, whether it is a continuation of ECA or a new agency, is a different type of relationship in certain respects from the kind of relationship that existed between ECA in the conduct of the Marshall plan and the Department of State. I do not mean the State Department should go in and supervise operations. That is the main reason for putting it in an independent agency. I do suggest that because the administration of economic aid must be part of the totality of the negotiations which are going on continuously with these countries to persuade them to do things they often do not like to do, the administration of aid must be tied in closely with the Department of State.

Moreover, because of the close relationship of aid administration to United States participation in the North Atlantic Treaty Organization, which heads up to the Secretary of State, I think the direction of both operations must be tied together.

Thirdly, of course, there is this difference that you have got to relate the work of this independent economic agency on almost a daily basis, particularly in the countries, with the work of the Defense Department in carrying out the end-item program.

I think those are three distinctions in the present situation from the situation which we faced in setting up ECA, with whom our relationships have been extremely good. The ECA operation has been, of course, an outstanding success in bringing recovery to Europe.

It would be very interesting to have Mr. Bissell's comment on those differences.

Mr. VORIS. It seems to me you left out the big difference, and that is this: ECA was started as a temporary emergency agency for a 4-year plan—period, end, stop. Whatever we are doing now, we can kid ourselves, it seems to me, and say, "Well, we are going to make it a dead line of 1953," and try to kid ourselves that it is emergency and temporary in character. However, when the optimists say 10 years is the period of tension here for the military end of it, and when we are told that a lot of this is economic aid of various kinds, whether

you label it point 4 or not, and that it is going to be like the brook, going on forever, then we are not talking about a temporary agency any more.

It seems to me that is one big difference between the origin of ECA and this thing. We are just kidding ourselves and trying to kid the public if we try to claim what we are doing is a temporary emergency thing.

Excuse me.

Chairman RICHARDS. John, I think everything in there could very reasonably have a termination date except the objectives of point 4 in this program, do you not?

Mr. VORYS. No.

Chairman RICHARDS. You do not?

Mr. VORYS. No.

Mr. CARNAHAN. The over-all efforts we are engaged in will group themselves into different phases. We have practically accomplished one phase of the problem, economic recovery, then the problem confronting us for the next 10 years or so will demand an emphasis on doing a different job. The over-all problem appears to be shaping into three principal phases (1) economic recovery, now very well accomplished through ECA, (2) creating and building up necessary military strength, and (3) maintaining economic and military strength.

It seems to me that we can have agencies that have a termination date.

Chairman RICHARDS. Well, Mr. Vorys' argument was that they would all be in line, and if you are going to do this thing put it in the State Department. Do you admit that?

Mr. VORYS. No. I am not sure yet just how it should be organized. In NATO the treaty runs for 20 years. Point 4 runs forever, and ever, amen. As to ECA in Europe, we have dear old Iceland with those little fish, and if they do not swim back we will have that forever.

Chairman RICHARDS. It does not mean that you are going to keep on doing this thing at all. They may think you are going to do it. If they are going to keep this up forever, this country will be busted from here to breakfast, and we are not going to do it.

Mr. VORYS. Just keep that in mind.

Chairman RICHARDS. Yes. Keep it in mind.

Mr. VORYS. Take it the other way. You say, "Well, we have heard secret testimony and so forth that 1953 is it. Therefore, we are going to make a termination on our military aid to Europe in 1953."

Well, one thing or the other would happen. If they believed it they would say, "Oh, fine. They just get us all fixed up and then they leave us, and there they go again back home."

The thing is that they would not believe us. They would say, "That is like the ECA. They put in those words to make people feel good at home."

Mr. CARNAHAN. Is it reasonable to expect in the next 3 years to reach a certain military strength in Europe. We should certainly exert a reasonable effort to reach the desired point. After we reach that point the problem will then become one of maintenance.

Chairman RICHARDS. I do not know what you are going to do but I must leave. What are we going to do in the morning? Are you through with these gentlemen?

Mr. BATTLE. Do we have a session tonight?

Chairman RICHARDS. Not tonight. We are going to be here in the morning. We have some other witness coming up in the morning.

Will you gentlemen be available if we feel we want to hear from you some more later?

Mr. OHLY. You had expressed a desire before for a country-by-country presentation of all these programs. We are prepared to do this at any time, to show you each item that has been planned.

Chairman RICHARDS. We have your formula down pretty well, and you can give that for the record if we call you a little later. You went over one illustration of that. It may be that the committee will want you back here, but we do have these other people listed from this morning.

Mr. VORYS. You do not want these fellows in the room tomorrow morning necessarily, do you?

Chairman RICHARDS. We thought maybe you would be available Monday or Tuesday if we could get you up here. Could you do that?

Mr. OHLY. Certainly.

Mr. BISSELL. Surely, Mr. Chairman.

Chairman RICHARDS. The committee stands adjourned then until 10 o'clock in the morning.

(Whereupon, at 5:55 p. m., the committee adjourned until 10 a. m. the following day, Saturday, July 28, 1951.)

(The following was submitted for the record:)

COMMITTEE FOR ECONOMIC DEVELOPMENT,
Chicago, Ill., July 27, 1951.

The Honorable JAMES P. RICHARDS,
United States House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: In response to the recent request of your committee I submit for consideration a statement on behalf of the research and policy committee, Committee for Economic Development, concerning a program of military and economic aid to Western Europe. I trust that the statement will be published as part of the committee's records.

Sincerely,

MEYER KESTENBAUM,
Chairman, Research and Policy Committee.

STATEMENT ON THE MUTUAL SECURITY PROGRAM, SUBMITTED ON BEHALF OF THE RESEARCH AND POLICY COMMITTEE, COMMITTEE FOR ECONOMIC DEVELOPMENT, BY MEYER KESTENBAUM, CHAIRMAN

This statement presents the views of the research and policy committee of the Committee for Economic Development on the problems of military and economic aid to Western Europe.¹ These problems were studied for several months by a CED subcommittee on international economic policy under the chairmanship of Mr. Gardner Cowles, president of the Des Moines Register and Tribune and Cowles Magazines, Inc. These studies led to the preparation of a policy statement entitled "Economic Aspects of North Atlantic Security," released on May 9, 1951. Copy of the policy statement is attached. The present statement is essentially a summary of that document.

I. We are convinced that the Soviet threat to the freedom of Western Europe is as great today as at any time since the end of the war. We believe, further-

¹ The Committee for Economic Development is an organization of businessmen formed to study and report on the problems of achieving and maintaining high and secure standards of living for people in all walks of life through maximum employment and high productivity within a free economy. Its research and policy committee issues from time to time statements of national policy concerning recommendations for action which, in the committee's judgment, will contribute to maintaining productive employment and high living standards. A list of the members of the CED research and policy committee is attached.

more, that our own self-interest, our treaty obligations, and our cultural affinity with Western Europe all require that we share fully in strengthening the defenses of Western Europe against the Soviet challenge. On these propositions, of course, there is fairly general agreement in the United States today. There seems to be less agreement, however, on the nature of the broad strategy that we should employ in seeking to thwart Russia's hostile designs on Western Europe. This question was carefully examined by the committee.

Our strategic thinking must depend, of course, on our analysis of the precise nature of the threat we are combatting. Is it the danger of military aggression, either in the form of a general onslaught by the Red Army or in the form of local Communist aggression on the Korea pattern against a European country? Is it the danger of political and economic decay in Western Europe, which will leave Europe prostrate and incapable of resisting Soviet expansion? Is it the danger of internal subversion by native Communist parties trading on weaknesses and inequities in the political and economic structure aggravated by rearmament?

It is clear that the threat to Western Europe embraces all of these possibilities. It is doubtful, indeed, whether the Politburo knows today what tactics it will employ a year hence. The hypothesis which is probably valid and certainly safest is that the Russians will exploit weakness and vulnerability wherever they may appear. The provocation which the Soviet rulers will always recognize is the provocation of opportunity. If a year or two hence the western powers have failed to organize sufficient military power to offer effective resistance, the Soviet strategists may decide to strike sooner rather than later. If, on the other hand, the western powers should commit themselves to an all-out mobilization which would, if sustained over a long period of time, impair their underlying productive strength and leave them economically exhausted, the Soviet leaders might decide to bide their time. Likewise, if European rearmament should force a sharp reduction in European living standards, seriously aggravate inequities in the distribution of income, and give rise to an explosive inflation, Soviet tactics might well revert to the emphasis on internal subversion which characterized the years immediately after the war.

Given the flexibility of Soviet tactics, it is clearly the task of the western powers to organize a comprehensive and balanced security program which leaves no breach wide enough to invite a Soviet thrust. In view of the present military weakness of the western alliance, first priority must now obviously be given to rearmament. The rearmament effort must be on a scale sufficient to create within 2 or 3 years a military force able in the event of open war to check an onslaught by the Red Army until the full war potential of the United States and the allied free nations could be mobilized and brought to bear on the aggressor. At the same time, it must not be on a scale so vast that it cannot be sustained during a long-armed alert without undermining political stability and economic strength. It must be organized and administered so as to minimize harmful effects on living standards, on economic stability, on productive efficiency, and on economic growth. It must be accompanied by positive measures, both national and international, to raise the productive strength and efficiency of Western Europe and the morale and spirit of the European people. In brief, it must take place in a climate which sustains and strengthens the hope of the people of Europe for a better future as free men.

Next to the failure to rearm, perhaps the costliest error that the United States and its allies could make in the next few years would be to act as though rearmament and security were synonymous. The contest between the Soviet Union and the West is ultimately a contest of strength, not of arms alone. Strength embraces not only armed might, but in addition all those less measurable elements—such as greater productivity, efficiency, equity in the distribution of income, political and economic stability, and social cohesiveness and spirit—which are the real sinews of national power. The Marshall plan, which has been the most successful element in our postwar foreign policy, was successful precisely because it recognized and emphasized the economic and social aspects of European security. It is imperative that this emphasis be preserved and sustained in the rearmament period upon which we are entering. The rearmament program must be regarded as supplementing, not replacing, the cooperative effort to build a productive, stable, and united Western Europe.

II. How much of a rearmament program can the continental European members of NATO support out of their own resources without jeopardizing their political, social, and economic stability? While no one can answer this ques-

tion in exact quantitative terms, we believe it is possible to weigh the factors which are pertinent to this judgment. Our analysis leads us to disagree both with those who hold that the continental countries are so weak and unstable that they cannot safely undertake any expansion in their military programs, and with those who would ignore economic and political limitations and would insist that the continental countries rearm up to the limit of their physical potential.

We believe that the continental countries of Western Europe are capable of making a substantial contribution to the combined rearmament effort. While a major rearmament program would have been inconceivable in the conditions of 1947-48, the tremendous economic advances which Western Europe has made under the Marshall plan today provide a margin of resources sufficient to support a higher level of military preparedness. Moreover, considerable scope exists for the expansion of European output above present levels. Much of the European investment in productive facilities which was made possible by the Marshall plan will begin to bear fruit in 1951 and 1952. The growth of Western European agricultural and industrial output continued at a steady rate through 1950, and further growth is possible in the years ahead. There are several million unemployed workers in Italy and Germany, and there is substantial concealed unemployment—i. e., meagerly productive employment—in France and other countries. Further additions to output could be obtained by attracting women into the labor force, by raising productive efficiency through increased specialization and trade within Europe, and by continuing the present ECA Technical Assistance Program under which United States technical experts contribute advice and assistance to European producers, and European technical personnel study American productive techniques in this country.

At the same time, there are important limitations on the scope of the continental rearmament effort which it would be perilous to ignore. First, it must be kept in mind that the rapid economic recovery of these countries since early 1948 was from a level far below prewar. Per capita consumption in Italy and Germany is still substantially below prewar, and in France, large sections of the population have a standard of living very materially lower than in the 1930's. In addition, the coal production of the four major continental countries is still below prewar, and their food production has not risen as fast as their population.

But the most serious limitations on the ability of these continental countries to rearm rapidly become apparent only upon examination of the problems of managing the diversion of economic resources from civilian to military uses. A government can accomplish this diversion in any of three ways, or by some combination of them: (1) It may employ fiscal or monetary measures, such as drastic increases in taxation, reductions in nondefense spending, and strict control of credit, while relying on military orders and the operation of selective credit controls to divert economic resources to military production; (2) it may suppress the price inflation accompanying the enlarged military production demands by the use of direct controls, such as price and wage control and consumer rationing, while employing priorities and allocations to move resources into military production; or (3) it may simply employ or permit open inflation, using bank credit or the printing press to the extent necessary to outbid civilian demand for labor, production facilities, and materials.

In the major continental countries, however, there are unusually formidable obstacles to the successful use of the first two methods, while the method of unrestrained inflation would have economic and political effects fatal to effective rearmament and to the value and reliability of these countries as partners in the North Atlantic Treaty system.

The governments of these countries tend to be rather unstable coalitions embracing divergent political and economic opinions. Such governments have great difficulties in raising taxes, in reducing less essential government expenditures, and in mobilizing public opinion. Their budgets are already heavily loaded with social security charges, pensions, and other politically sensitive transfer payments, and with large public investment programs necessitated in part by the relative timidity of private capital. Though their public revenue systems are antiquated and inequitable, they are already drawing off a large percentage of the national income. Personal savings are at low levels. The history of their currencies over the last generation and the uncertain prospects for their future have severely impaired public credit.

Moreover, the sensitivity to price inflation in these economies is great. The history of periodic inflation over the last generation has produced an abnormal

sensitivity by all economic groups to price increases. With any inflation scare, liquid holdings are invested in goods or black market gold or dollars, thus forcing up prices and black market exchange rates and aggravating capital flight. In these circumstances continental finance ministers and central bank officials have a deep-seated fear of inflation and of central bank financing which helps to account for their caution in expanding their military budgets.

This is not to say that the governments of these countries are not aware of the Soviet peril to their independence, nor is it to say that they underestimate the urgency of the need for rearmament. It does mean, however, that the continental governments must operate within a range of policy alternatives which is narrowed considerably by the economic vulnerability and political fragility of their societies. What may appear to be an inadequate rearmament effort when judged in terms of the tolerances of the United States and British economies may very well be substantial in the context of the economic and social capacities of the continental countries. It must be recognized that the instability of the political situation and the strains in their societies and economies have imposed limits on the extent of the rearmament effort which their governments can undertake. This is an unwelcome conclusion, but it is a conclusion which we can ignore only at our peril.

Before the Korean War the continental members of NATO are reported to have had about 1,000,000 men under arms, but were spending for military purposes only about \$2.75 billions annually, or about 5 percent of their combined gross national product. On optimistic assumptions these countries might be able over the next few years to double their manpower under arms, and perhaps to approach a doubling of their combined gross product devoted to armament. If the political difficulties can be resolved, Germany might be able to make a contribution of proportionately similar size in relation to her gross product.

III. The productive resources which Europe devotes to an expanded military program will have to come either from increased production over present levels, or from cuts in European consumption, nonmilitary government expenditures, investment, or exports. It has already been pointed out that there is considerable scope for the expansion of European output. To the extent that this potential is realized, the European NATO countries will be able to make their contribution to the joint rearmament program without subjecting their economies to severe strain. But it would be too optimistic to count on an expansion of output sufficient in a short time to make possible a rearmament program of the magnitude required. Thus, while it will not be possible to avoid some reductions in the nonmilitary uses of output, it must be urged as a matter of the highest importance that these cuts be made where they will do a minimum of damage to the economic strength and political stability of Western Europe.

It is relatively easy in the short run to mobilize resources for rearmament by taking labor, materials, and end-products away from the export industries. To some extent this will be unavoidable, since some productive facilities now being used to produce goods for export will have to be converted to the production of military goods—for example, the use of automobile plants to produce military vehicles. But it is important, in the larger strategy of sustaining the economic health of Europe, to hold to a minimum the curtailment of European exports. There is great danger that the export markets which Western Europe lost during the last war, and slowly and painfully regained from 1946 to 1950, might be lost again. The prospect of a Western Europe able to support itself by two-way trade in the world economy might again become as remote as it seemed in 1946. If this happens, one of the most important achievements of the Marshall plan period will have been nullified. Accordingly, the United States should urge the European governments to take the steps necessary to sustain exports, and should administer and allocate United States aid so as to encourage such a policy.

Cuts in consumption could also release resources for rearmament, but it would be perilous to ignore the fact that there exists little margin for curtailing European consumption without inviting social unrest and mounting internal political tension. The people of Western Europe have been on short rations for a decade. The courage and spirit of many Europeans have been sustained in the difficult years since the war by the hope for a better future. To replace this hope with a call for severe belt tightening raises the danger of opening a political breach as wide as the military breach which this policy is designed to close.

It may well be that a modest and temporary reduction in consumption standards is unavoidable. How such cuts will affect morale, however, will depend

to an important extent on whether or not the burden is shared equitably by different groups in the population. If the curtailment of consumption is enforced by inflation, or by increasing already excessive sales taxes and other indirect taxes, a disproportionate share of the burden will fall on the lower-income groups. The adoption of equitable taxation policies by the European governments can do much to minimize the harmful morale effects of consumption cuts.

Improvements in the efficiency of governmental administration and elimination of nonessential activities would make possible significant reductions in the non-military expenditures of the continental governments without impairing necessary public services. Such reductions can and should be made, and the United States should use its influence to encourage administrative reforms.

Domestic and foreign investment would be the area in which the deepest cuts could safely be made if the objective were to achieve a maximum of military power in anticipation of an inevitable and imminent war. Such a policy might be disastrous, however, if the present crisis should develop into a long armed alert. The failure to maintain a moderate rate of capital formation over the years ahead would dash the hopes of the people of Western Europe for a gradual improvement in their condition of life, and would dangerously weaken European morale.

The Western European countries cannot allow their economies to stagnate as the price of a rapid military build-up. They must maintain a moderate and steady rate of growth in their industrial and agricultural productivity. However, since the Marshall plan made it possible for some of the European countries to maintain an unusually high rate of capital formation, it would appear that some selective reductions in investment could be made without seriously adverse effects. Some pruning could be made in the area of retail and wholesale trade, in road building and similar types of public investment, and in other areas not directly related to industrial and agricultural production.

We conclude, then, that the resources for European rearmament should come to the maximum extent possible from increased output—and the possibilities here are substantial. They should come from reduced exports only to the extent that a reduction in exports is unavoidable, from reduced consumption only to a minor extent, from governmental economies to the extent possible, and from selective cuts in investment designed to release some resources from this area without impeding fundamental economic growth.

IV. These considerations clearly point to the need for substantial military and economic aid to the continental countries. Without access to military plans and estimates, it is not possible to say what contributions in military equipment, in forces, and in economic assistance are necessary; but certain qualitative conclusions are reasonably clear:

1. The continental countries can be expected to contribute a very large proportion of the manpower requirements of Western European defense; but a large part, perhaps the major part of the equipment requirements must be supplied by the United States and Great Britain.

2. For the near future, the rearmament effort of the continental countries will not have reached the point where it increases very significantly their immediate ability to repel aggression. Accordingly, it is during this period of 1 to 2 years ahead that the presence in or immediate availability to Europe of American and British divisions and air groups is most important.

3. The position of Great Britain must be distinguished from that of the continental countries on a number of grounds: the substantially higher real per capita income of Britain; its economic recovery, which made possible the suspension of Marshall plan aid in December 1950; the strength which Britain derives from her position as center of the sterling area; and most important of all, the high level of national cohesion and the comparative stability of governmental authority which exists in Britain. For these reasons we can fairly expect from the British for the time being a military effort substantially larger in relation to their resources than in the case of the continental countries. Britain's present military program is in fact larger relative to her national income than the likely maximum military effort which the continental countries can achieve.

4. The continental countries will need general economic aid from the United States, Britain, and the British Commonwealth of Nations in addition to the projected transfers of arms and military equipment. In view of the sharp increases in the prices of food and raw material imports, and the likely effect of European rearmament on import needs and export availabilities, the continental dollar deficit seems likely to increase again. Moreover, the effect of the rearma-

ment boom on prices in the sterling area has created a very large sterling deficit for the continental countries. Since their sterling imports are to a large extent essential materials and foodstuffs which cannot be foregone, these countries will also need special sterling assistance.

5. It is not possible, on the basis of the data available to us, to make an estimate of the cost to the United States of military and economic aid to Western Europe on a scale consistent with the considerations advanced in this policy statement. The administration program of aid to Europe, both military and economic, totals nearly \$7 billion for the present fiscal year. This is a substantial sum which should have the most careful scrutiny before funds are voted. We do not base the information needed to enable us to judge whether the total amount requested is necessary. If, on the basis of detailed data submitted to your committee, the full amount is justified, the cost is one which, in view of the incalculable consequences of failure, the United States should be prepared to assume.

V. The major question concerning the content of United States aid to European rearmament is the extent to which it should be provided in the form of military equipment (end-item aid) and in the form of civilian goods or services or free dollars (economic aid).

There appears to be a widespread confusion over this question, which manifests itself in a tendency to exaggerate the importance of the choice between end-item aid and economic aid. It is erroneous to regard end-item aid as facilitating the realization of nonmilitary objectives. Actually, as a matter of principle, once the detailed targets of European rearmament are set, these targets could be reached by either of these roads. Thus, if all aid were given in the form of military end items, it would be possible to concentrate European industry and labor more heavily on export, closing the balance-of-payments deficit and making economic aid unnecessary. Conversely, if only economic aid were given, the European countries could divert facilities and manpower from production for export and domestic consumption to produce their own military equipment; the balance-of-payments deficit resulting from the necessary increase in imports of consumer goods and reduced exports would be covered by the economic aid. Thus in either case, United States aid would contribute to the realization of military objectives.

In practice, aid should be given in both forms. It will probably prove expedient to give most of the aid in the form of major military end items, such as aircraft, tanks, artillery, and the more complex forms of signal equipment, while the continental countries concentrate on the production of other vehicles, of the smaller and simpler ordnance items, and on the general support of NATO forces stationed in Europe. But modifications of the program will have to be made as the situation changes and some provision for administrative flexibility in shifting funds from one category to the other would appear to be desirable. To make a rigid legislative allocation of funds between the two categories would rule out the possibility of adjusting the form of aid in particular situations in order to achieve maximum efficiency in the combined military-production programs.

As concerns the administration of United States aid to European rearmament, the most important consideration is the conception and the purpose with which it is carried out. If it is handled passively, simply as a problem of transferring resources to Europe, it will accomplish only a small part of its potential. Only if it is used as a means of effecting a coordination of military effort and economic policy among the NATO governments can we hope for results in Europe commensurate with our economic sacrifices and those of the Europeans. This problem of conception and purpose is central; the forms and techniques of administration should serve that end.

Authority for the administration of aid should be centralized as much as possible, both in Washington and in Europe. Economic aid should be administered as at present by the ECA or by whatever new foreign economic operations agency may be established. This agency should act as claimant agency for foreign requirements, and consideration should be given to vesting in this agency authority to administer United States export controls and to procure from abroad materials in short supply. Military end-item aid should continue to be administered by the military departments. Close coordination of the administration of economic and military aid is essential to an effective foreign-aid program.

VI. The rearmament of Western Europe poses issues of a degree of difficulty and complexity such as the United States has seldom had to face in its foreign

relations. Whether the cold war will last for 2 years or 20, no one can foretell. Whether Soviet pressure against Western Europe will next take the form of military attack, diplomatic offensive designed to split the western alliance, or fifth-column subversion based on internal political and economic weakness is equally uncertain. Confronted by these crucial imponderables, our task becomes nothing less than that of organizing a program of mutual defense which we and our allies can sustain indefinitely, and which is capable of deterring or repelling a Soviet thrust in whatever arena the Soviets may choose. By demonstrating to the Russians the futility of further efforts to bring Western Europe under Soviet control, we would hope thereby to lay the basis for a durable negotiated settlement with the Soviet Union. This task will challenge to the limit the stability, the wisdom, and the skill of our foreign policy, and thereby the moral resources and the basic maturity of the American people.

Our participation in the European security program must be sustained and unwavering. The rearmament effort of the continental countries will be weakened by timidity and hesitancy so long as they doubt the steadfastness of purpose of the United States, and fear that some future reversal of United States policy may leave them to face the Red army alone across a few hundred miles of German plain. To dispel this fear, our every official act and utterance should reflect our determination to share in the defense of Western Europe until the Soviet threat to the freedom of that region is abated.

The common goal in Western Europe must be seen as balanced security—not as rearmament alone. Our strategy in Western Europe will be dangerously defective unless it is squarely based on the recognition that the Soviet threat is not just military aggression, or diplomatic maneuver, or internal subversion, but any of these alone or in combination. Consequently, the security of Western Europe requires that her defenses be strengthened against all the weapons of Soviet imperialism. The pursuit of this objective will necessitate continual compromise between greater armed strength on the one hand and economic well-being and advancement on the other. Decisions will have to be made day by day as to whether the cause of European security would be strengthened by the establishment, for example, of another infantry division at the cost of a further reduction in industrial investment. Such questions cannot be answered conclusively, and they may be answered wrong. But it is a matter of the highest importance that such questions be asked, and that the direction of the rearmament program be so organized as to assure that they will be asked; for the security of Western Europe must be understood as resting upon the condition of life of the people of that region, on their hope for a better future, and on the social and political unity of their countries—as well as on their armed might.

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STATEMENT ON BEHALF OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS, SUBMITTED BY NATHAN E. COWAN, DIRECTOR, CIO LEGISLATIVE DEPARTMENT, IN SUPPORT OF ECONOMIC ASSISTANCE TO THE STATE OF ISRAEL

The Congress of Industrial Organizations fully supports H. R. 3458, introduced by Mr. McCormack, of Massachusetts, and H. R. 3488, introduced by Mr. Martin, of Massachusetts, authorizing economic assistance to the State of Israel. We hold it of prime importance to give financial aid to this new democracy as part of our program to strengthen the free world against Communist aggression.

We, who are not military experts, would write into this record our conviction that Israel can play a formidable and impressive part in democracy's defense. That conviction is based on an intimate knowledge of the social and spiritual forces which have given life to this new modern state. Here, in a derelict, barren, and feudal part of the world, there has emerged a real democracy, cherishing the ideals to whose defense we are dedicated, preserving them and endowing them with vitality by seeking to express and realize them in their daily life.

We have a profound appreciation of the fact that the young State of Israel has arisen on foundations firmly laid by free labor. This is the one state in the Near East in which workmen have developed the very same institutions which we in America hold so dear. It is the one state in the Near East where the idea of freedom is transcendent, arising above all other considerations. This, we as Americans know and understand and that is why Israel is a reality so readily understood and appreciated by American eyes.

I have spoken in general terms. I will be specific.

In Israel, the general federation of labor is known as the Histadruth. It is older than the state and it has helped to fashion it. It was founded by 4,400 Palestine pioneers just 30 years ago. Theirs was not the task of organizing labor within the framework of an existing economy—they had to begin by creating the worker, teaching him a trade. They also had to create work for the worker. In those days, Palestine was a disease-ridden and barren wasteland and so the Histadruth had to assume also the responsibility for ministering to the health needs of the worker through its own medical organization.

Idealistically, the Histadruth was devoted to the purpose of building a Jewish homeland on democratic principles. At the same time, it was devoted to the

transformation of the people into productive workers. It had to raise living standards and it had, at the same time, to establish itself in industrial and agricultural enterprises to give jobs to all.

Today, Histadruth has a membership of 340,000 adult workers, representing 70 percent of the working population. Today Histadruth has become both the symbol and instrument of cooperation in the highest sense of the term.

I want to tell you more about this unusual labor movement. I know that this is not a committee concerned with labor and its problems. There is another committee for that purpose. You are concerned with our foreign policy and that is precisely why I want to enlarge on this discussion. For it seems to me if we are sincerely concerned to combat the rise of communism in the feudal areas of the world, we must think not solely in terms of guns and armaments, in negative propaganda. We must think of positive and workable systems of life which meet the daily needs of people and which give reality to their hopes and aspirations for the future. Here in Israel is a society where capital and labor cooperate in the common interest. It is the democratic system proving its independence, fulfilling its purpose. We believe that its steady advance and its consistent success will reflect great credit on the democratic way of life.

Histadruth, the federation of labor, is everywhere in Israel. I have spoken of its 340,000 adult membership.

Twenty percent of that membership is found in the 500 agricultural settlements of the country. Thus, there is the closest cooperation between settlers in agriculture and the workers in industry.

The Histadruth maintains 16 vocational schools and 15 farm schools in various parts of Israel—a number of these established with funds provided by the CIO. During the 1950-51 school year, the 1,100 Histadruth educational institutions conducted classes for 78,000 pupils, or 37 percent of the total. The Histadruth educational system includes kindergartens, elementary and high schools, night schools for working youth, and teachers' seminars. There are 3,482 teachers and 700 kindergartens in the Histadruth schools.

There is a real partnership in Israel between labor and management. Thus, a little over a year ago, the Histadruth took the initiative in setting up joint production boards—representing labor and management—as a means of increasing industrial output. This has proved of real benefit to the country as a whole. In all its activities the Histadruth has worked hand in hand with management. In fact, and this is one of its unique characteristics, Histadruth has gone in partnership with private capital in industries which have developed out of its primary building and agricultural interests. Quarries, brick factories, cement works, an iron foundry, and a glass factory, were acquired to insure a regular supply of building materials and equipment to Solel Boneh, the Histadruth Construction Co., which is the largest of its kind in the entire Near East.

You will ask whether Histadruth is concerned about the Arabs in Israel.

As far back as its 1923 convention, the Histadruth set forth as basic policy the principle that "creation of friendly relations with the Arab workers shall henceforth constitute one of the primary tasks of Jewish labor." This was 1 year after the Histadruth took the initiative of organizing the Palestine Labor League for Arab Workers, which today has a membership of some 35,000 Arabs. The total Arab population in Israel is 175,000 enjoying equal rights and privileges with their Jewish compatriots. This was a great step forward for the Arabs. Today, the Arab worker is an equal to his Jewish coworker in Israel. He benefits from the Histadruth which has set up a special Arab department within its framework. He receives treatment from the Histadruth Medical Organization. His trade-union rights are guaranteed, thus assuring him a decent living standard. He partakes in various cultural activities and profits from consumers' and marketing cooperatives.

Only in January of this year, an important step in the development of the Arab cooperative movement took place when representatives of 21 consumers' cooperatives—including 10 tobacco-growing cooperatives—from Arab villages in Galilee met to elect a coordinating council. The Histadruth had been active in these villages and saw in the organization of marketing cooperatives a key to raising living standards for Arabs and an opportunity for improving their agricultural methods. The Histadruth, therefore, began organizing local marketing cooperatives in the villages; these in turn to constitute a central cooperative which collects the produce for resale at its markets in the towns.

Consumers' cooperatives are also beginning to appear in Arab villages as a result of Histadruth encouragement, and the Histadruth hopes to use this medium for educational purposes by familiarizing the peasants with a range of goods,

such as kitchen and household implements, work tools, and a variety of seeds, which will be on sale there. The cooperatives get an initial loan, as well as help and guidance, from the financial instrument of the Histadruth's Arab department.

If I have given you these detailed facts and figures it is to emphasize that our friendship for Israel and its labor movement is based not alone on sentiment but on appreciation of attitude and achievement.

In 1949 a CIO delegation, chairmaned by President Jacob S. Potofsky, of the Amalgamated Clothing Workers of America, and including President Joseph Curran, of the National Maritime Union, and Maxwell Brandwell, acting as their adviser, visited Israel to make a detailed study of both labor and governmental progress in the new nation. On their return to the United States, they reported that there was no iron curtain in Israel. Rather, they found Israel to be "a giant goldfish bowl in which every occupant is eager to show his record and his plans."

The members of the CIO delegation voiced their complete satisfaction with the Histadruth and the Government of Israel as democratic champions in the Near East, and recommended support by the CIO of further substantial financial aid by the United States Government to the Republic of Israel. The delegation recommended also that the moral and financial support extended in the past by the CIO to the Histadruth "should be continued in even greater measure in the future."

There is no question as to where Israel's labor movement stands in the present world crisis. The Histadruth has withdrawn from the Communist-dominated World Federation of Trade-Unions, and on April 5, 1951, the Histadruth refused to receive a delegation from the World Federation of Trade-Unions, to discuss this question further. The CIO is confident that in the near future the Histadruth will be welcomed as a full-fledged member of the World Confederation of Free Trade-Unions, where it will have the opportunity of making its contribution to the democratic world labor movement.

The CIO and the Histadruth have maintained liaison with one another for many years to their mutual benefit. President Philip Murray himself has served and is serving now as an honorary chairman of the National Committee for Labor Israel—and the CIO has further demonstrated its keen interest in aid friendship with the workers of Israel by adopting resolutions on Israel and the Histadruth at its national conventions.

I have attached to this statement the complete text of the last resolution on Israel and the Histadruth which was adopted unanimously at the twelfth constitutional convention of the CIO in Chicago, Ill., in November 1950.

I have confined my statement to an analysis of Israel's labor movement and the affinity with our own. Others can testify more eloquently on the economic crises which Israel faces because of its immigration program. But I would add these observations on this dramatic migration which surely must excite our admiration. Since the rise of totalitarianism in Europe and Asia, nazism in Germany, and communism in Russia, a host of men and women who believed in free labor and fought for its rights were crushed and destroyed. A few somehow survived. Many of these have found refuge in Israel, the one country in the world which maintains an open-door immigration policy. By far, the greatest number of Israel's immigrants, and surely all who have come from Europe, are refugees from nazism and communism. The concentration of this force of freedom's advocates in Israel make this little country one of the strongest democratic oases in its part of the world.

Israel is the pilot plant of the Near East. Its democratic ideas must inevitably affect her neighbors, for ideas can surmount boundary lines and overcome boycotts and blockades.

American aid to Israel is crucial to Israel's stability. If we can help this little country to become strong, it can become the eloquent advocate and the stout defender of all that we as Americans hold dear. A grant-in-aid by this Congress to Israel for \$150,000,000 will do much to make Israel an impregnable fortress for democracy in the Near East. It is eager to assume that role. We Americans must help it do it.

CIO RESOLUTION—ISRAEL AND HISTADRUTH

The young State of Israel in the third year of its existence is engaged in the historic task of providing a free and secure home for hundreds of thousands of uprooted and oppressed Jews from many lands throughout the world, having received nearly half a million immigrants during this brief period and holding

its gates wide open for even larger numbers to enter during the next few years.

The State of Israel has succeeded in converting these helpless and homeless human beings into a productive, dignified, and free community imbued with the ideals of democracy and social justice.

The democratically elected government of the State of Israel has ably demonstrated its capacity to serve the new nation and concern itself with the welfare of all its citizens, Jews and Arabs alike, promoting universal education, freedom of worship, freedom of the press and respect for individual rights.

The State of Israel has fulfilled its obligations of membership in the United Nations and has demonstrated its sense of responsibility to world peace by supporting the United Nations resolution condemning the act of aggression in Korea and has offered from its limited resources to aid the United Nations in restoring peace in Korea in keeping with the purposes and aims of the United Nations.

The Histadrut, the Israel labor movement, plays a prominent part in the life of the country and has been largely responsible for incorporating into its laws and customs many progressive labor principles that protect the working conditions, living standards and human values of the working population which constitutes the overwhelming majority of the entire population of the country.

This Histadrut, through its cooperative institutions serves the health needs of 600,000 Israeli; fosters educational and cultural activities; provides vocational training for youth and adults; erects cooperative housing projects for workers at low cost; and safeguards the democratic fabric of the State of Israel in every possible manner.

The State of Israel is still burdened with the great responsibility of absorbing hundreds of thousands of homeless people each year and is further hampered by a huge defense budget due to the failure of the neighboring Arab States to conclude a permanent peace treaty with Israel as has been sought by the State of Israel, the United Nations, and the United States.

The Congress of Industrial Organizations has consistently expressed deep interest in the entire dramatic and rewarding struggle of the Jewish people to establish their national home, and has extended invaluable moral, financial, and political aid for the attainment of this goal.

President Philip Murray, on January 10, 1950, in joint and close cooperation with President William Green of the American Federation of Labor, called upon President Harry S. Truman and expressed the abhorrence of the American labor movement that the Arab States of the Middle East were being rearmed with weapons for aggressive warfare by Great Britain, and that this excessive rearmament constituted a grave and direct threat to the democratic State of Israel; and urged that our Government act to halt this shameful and dangerous arms race.

The Congress of Industrial Organizations has extended moral and financial aid to the General Federation of Jewish Workers in Israel, Histadrut, thus aiding it in its promotion of a bona fide trade union movement that is vital not only for the welfare of the state of Israel but for all the nations of the Middle East, where labor is notoriously exploited and unorganized; Now, therefore, be it

Resolved, This convention extends its heartiest greetings to the democratic state of Israel upon its splendid progress despite adversity, and pledges its continued moral and material support so that Israel may enjoy uninterrupted growth, lasting peace, and international fellowship.

The CIO convention takes cognizance of the decisions of the second American Trade Union Conference for Labor Israel, held in Washington, D. C., on June 16-18, 1950, to mobilize the fullest moral and material support of American labor on behalf of the constructive program of Histadrut in Israel, primarily the absorption of immigrants, maintenance of vocational schools, medical services, educational institutions, industrial and agricultural cooperatives, trade union organization, and similar activities which mold the democratic character of the state of Israel.

The convention endorses the efforts of the American Trade Union Council of the National Committee for Labor Israel to raise through voluntary means the sum of \$2,000,000 among the American trade unions for the above-mentioned constructive purposes of Histadrut during the year 1950-51.

THE MUTUAL SECURITY PROGRAM

SATURDAY, JULY 28, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding. Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we will continue hearings on the mutual security proposal. We are privileged to have with us this morning Ambassador Charles M. Spofford, United States Deputy to the North Atlantic Council, NATO operations in Europe; Gen. A. Franklin Kibler, Director, Joint American Military Advisory Group for Europe; the Honorable Milton Katz, ECA Special Representative for Europe; and Hon. William L. Batt, United States member, Defense Production Board for European Production.

Gentlemen, we are mighty glad to have you here with us this morning. The committee that went to Europe was very much impressed with your spirit of cooperation and your knowledge of your job. It is mighty good of you to be here to let some of the other members of the committee, who could not go to Europe at the time on the special committee, receive the benefit of your advice and experience.

Mr. Coolidge, I expect the best way to proceed would be to follow the team system here, and let each one make a statement. I want to tell you gentlemen that we are a little punch-drunk about long written statements. We want your statements to be in the record no matter how long they are, but if you can abbreviate them and just cover the main points, we will appreciate it.

Mr. Coolidge. I think, Mr. Chairman, you will cover ground if you will follow that procedure.

Chairman RICHARDS. That is in no way to minimize what you will want to tell us. I do not mean that at all. You can see what I am driving at. We will hear first from Ambassador Charles M. Spofford.

STATEMENT OF HON. CHARLES M. SPOFFORD, UNITED STATES DEPUTY TO NORTH ATLANTIC COUNCIL FOR NATO OPERATIONS IN EUROPE

Ambassador SPOFFORD. Thank you, Mr. Chairman. Following your suggestion, and Mr. Coolidge's, I think we would like not to read the prepared statements, but talk briefly and informally from them.

We would like to follow the team procedure which we did when we met with you in Paris. We shall attempt to make our opening

presentations brief, as a basis for answering your questions and discussing the problem with the committee.

We constitute, as a team, the European coordinating committee. The four of us here—General Kibler, representing General Handy—meet as a committee periodically in Europe, our objective being to make sure we are all pulling together as an effective team to accomplish United States objectives in Europe, primarily through the international organizations on which we represent the United States.

In addition to our regular formal meetings, we have a staff which is in constant contact. We emphasize in our day-to-day work the team concept as the only effective means of accomplishing United States objectives.

The previous witnesses which have been before you in your long hearings have testified to the fundamentals of the United States policy which underlie the defense effort. I think it is unnecessary for us to cover that ground. I think we all agree, and completely affirm, that the defense of Europe is inextricably linked with and is essential to the security of the United States; and, also, the building, through the Treaty Organization, the North Atlantic Treaty, of a shield against external aggression is necessary and a logical extension of the shield against internal aggression which was created through the European recovery program.

I think we can usefully help your committee if we give you our estimate of the situation, such facts as you wish to bring out through our testimony, and answer your questions.

I should like first to say a very brief word about the Treaty Organization itself. You have had the details; you have had the chart; you are familiar with the structure.

I want to make just two comments on our organizational problem overseas. One is to stress a fact which may be obvious, but which I think is not fully understood, that is the actual function of the Treaty Organization.

This is an international organization, the end result of whose activities is not merely international agreement, not merely a solution, but carrying international decisions into effect. There is an executive function to be performed.

The Treaty Organization is not merely to get agreement that there will be forces on the ground, production programs, but it has to see that the plans are translated into action. That I emphasize because that is at the core of the organizational problem which we have had over the past year since the Treaty Organization has begun to take definitive shape, and is still an important problem for us.

During the past year the Treaty Organization, primarily because of the fact that I have called attention to, has evolved in the direction of a more effective international executive mechanism.

We have simplified and reduced the number of agencies that existed a year ago now. We have centralized the authority where it has been possible and practical to do so, the outstanding example, of course, on the military side of SHAPE, the appointment of the coordinator, the head of the Defense Production Board.

We have replaced to the extent that it has been possible to do so occasional committees with which the Treaty Organization was largely staffed a year ago with a permanent organization supported by international staffs.

I think the evolution in that direction must continue, that we must increasingly see a more effective executive form of organization to perform this follow-up function, the executive function, which is at the heart of the Treaty Organization problem.

These agencies, of which I have just spoken, I think you must bear in mind have been on the ground for a relatively short time; the council of deputies, for which I am the United States representative, for 11 months, the Defense Production Board for about 6 months, SHAPE for 5 months, and the Finance and Economic Board for 2 months.

I am not prepared to say, and I do not say, that the organization, the international organization, overseas is final, or in its most effective form. But I think I can say that we now have agencies which are equipped to deal with the main elements of the problem and are staffed, operating, and I think becoming more effective.

That is all I should care to say at this time, Mr. Chairman, on organization. I think you will probably wish to return to this subject when we come to the questions.

Ambassador STORFORD. I should like to say a few words on my estimate of the situation, and try to give your committee a general idea of progress in Europe today.

I will treat the subject mainly from the political standpoint; Ambassador Katz will deal with the economic questions; Mr. Batt, with production problems; and General Kibler, with the military assistance program.

Those of you who met with us and met with General Eisenhower I am sure recall his very forceful statement, which I think represents the views of all of us overseas, that the central problem, the problem which underlies the entire North Atlantic Treaty operation, is the development of determination and confidence in the Europeans, the development of confidence in their ability to defend themselves.

General Eisenhower has said to you, and he says it to everyone that he meets with, that no one can defend Europe but the Europeans. I think we wholeheartedly concur with that statement.

The importance of this problem is, I think, recognized by the frequency with which we are asked the question, Will the Europeans fight? The question of whether the morale, determination, and confidence which can effectively defend Western Europe is now in existence.

That, of course, is the test of their ultimate ability to defend themselves.

But we have to look for, and we have to apply daily, more immediate tests, not the question of whether they will fight, but will they take action now, this month, next month, action necessary to put themselves in a position so they may not have to fight; in other words, action to accept higher taxes, longer periods of service, civilian controls, and the various steps which must be taken to create an effective defensive structure.

These steps depend on the same factors, a combination of determination and confidence.

They are basically, as I think you gentlemen who were in Europe realize, problems the solutions of which require political decisions, parliamentary backing and public opinion.

I well appreciate that you had a great many general statements, a great many generalities, and I do not want to deal in this altogether in general terms. But I would like to suggest an answer to this political question which will be somewhat general in its nature.

I should like to suggest that we consider that the public opinion in Europe since the war has been composed of three main elements: those who were with us in any event, those who were against us in any event, that is, the hard core of communism, and those who are in between.

We have devoted a great deal of attention to the Communist problem, and rightly so, because the Communist problem is the toughest problem, and it is the one which must be solved in the long run if Europe is to have real security.

It is a problem in which great progress has been made since 1947, and in which great progress has been made last year, despite the votes in France and Italy recently, with which you are familiar, which showed a continuing popular vote for the Communist Party in these two key countries.

I think we feel there has been a definite decline in the influence of the Communist element in the past year, shown by the fact that they now are not represented in any government in the North Atlantic Treaty governments. They have less control over the labor unions. Some of their leaders have defected. Some of their political strikes have failed. They have proved themselves unable to obstruct our military end-item deliveries.

I think we agree their influence is diminishing. However, there is still a hard core, and I think we have to face the fact that over the critical years there will be a Communist problem, particularly important in France and in Italy.

Now, the middle element which I referred to, I think we have devoted too little attention to. Like the independent vote in a great many districts, we think it may be decisive. I am not talking about this middle element in the way of political or parliamentary alignments, but the large group of those who after the war and up to recently have been undecided, uninformed, misinformed, tired, apathetic, who believe that the United States may have aggressive intentions, and many of those who saw no alternative to a submission to the Soviet if it should choose to move.

I think there has been a definite and a substantial change in the political situation in Europe during the past year. I think public opinion is firming up behind the parliaments, behind the governments, in support of the defense effort.

I think it does come about due to the increasing confidence and to the shift of this undecided middle element to our side. That is just a judgment. I think that represents the judgment of most, if not all, of those of us who are working overseas. But we do not have to rely entirely on personal judgment. Let me give a few examples, a few cases which I think tend to support this conclusion.

You are familiar with the fact, and I do not want to go into the details, that over the past year we have had legislative action in two politically sensitive fields, that is, national service legislation and defense budgets.

Each country except Portugal has extended its periods of national service and otherwise strengthened its service laws. They are still

not adequate in many countries. They are adequate in some, and in an increasing number. I think that fact tends to show an increasing determination to support the defense effort in that sensitive field.

Budgets are up approximately 75 percent over pre-Korea. The trend is up everywhere. It is steeper in some countries than in others, as you know. It is not the maximum possible; approaches it in some cases; and does not approach it in others.

There again during the past year I think we feel we can see evidence, borne out by applying that test, of increasing confidence and support for the defense effort.

I could mention other things that do not involve legislation. We have had in several countries more courageous and effective efforts to curb the Communists, in Belgium, in France and Italy, acts which I think the governments would not have taken a year ago, but which they now feel politically in a position to take.

We have had extension of civilian controls, measures for allocations of materials in a number of countries, notably the Netherlands, Norway, the United Kingdom; effective in some and less effective in others.

This action of the sort I have referred to has been taken not without some political difficulty in several countries. As you know, the Netherlands was without a government for 7 weeks.

(Discussion off the record.)

Ambassador SPOFFORD. After the political alinement, after this period of political crisis, the Netherlands came up with a 60 percent increased budget, a program which involved a 5-percent cut in real wages, a decrease in its investment program, and a substantially stepped-up support of the Netherlands' defense effort.

Take the United Kingdom. The real issue behind the Bevan resignation, as I think you realize, was the attitude toward the accelerated and increased British defense program. That was fought out within the Labor Party. I think it is significant that the Labor government, under attack from its left wing, stood firm on its program, which is a substantial program, and the Government is still in power.

We have had an Italian crisis, two Italian crises. I do not want to go into the details, but I think I can say, and I think it is important, after each cabinet crisis, around the circuit during the year there has been firmer Government positions in defense of the defense effort.

One word as to neutralism, which we used to hear a good deal about. We hear a great deal less about neutralism this year that we did a year ago.

No neutralist candidate was elected in the French elections. Let me mention the Danish elections. The party which was running on an NAT essentially neutralist platform was decisively defeated.

Let me say that I think the reasons for this firming up of public opinion in Europe behind the defense effort are probably three: First, success in Korea has had a great deal to do with it; but second, and most important, the appointment of General Eisenhower and General Eisenhower's leadership, and third, the increasing deliveries of United States equipment under the Military Assistance Program.

On the effect of General Eisenhower's appointment, I should like to suggest an analogy to the effect of the North African landings on the French resistance movement in 1942. Prior to 1942, I think most

of you will recall, some of you may as I have had personal experience with this, you had a limited spirit of resistance, a limited resistance movement in France. The reason was that no alternative was apparent. The French were defeated and were resigned to their defeat.

After the landings, the resistance movement grew and at the end produced some of the finest fighting that the war saw.

I think on a broader scale the creation of SHAPE, General Eisenhower's army, and his appointment, has had that effect on European opinion as a whole. An alternative is now in sight, a successful defense now seems possible.

One word, if I may, as to the effect of the delivery of United States equipment. That has had, of course, the effect of creating new units. The outward and sizable signs of strength are very important to the Europeans. The Europeans are equipment conscious. They think the German equipment defeated them; they think our equipment defeated the Germans.

So, as they see the new and modern weapons, they realize that the American productive genius and power is now operating again in defense. I think that fact has had, in addition to the physical fact of increasing the forces on the ground, a considerable effect, a most important effect, on the morale of the Europeans.

Against these positive factors, which I think are operating in our favor, we have to recognize there is the other side of the coin.

The deterrents to faster and more decisive action in the political field in support of the defense effort I think are three: First, we have to recognize there is a very deep-seated fear of inflation, due to the rise in prices during the past year, rise in cost of living in most European countries, substantial in some and worse in terms of trade. We may have talked too much about defense burdens and not enough about defense contributions.

In connection with this fear of inflation, there is a common denominator that all Europeans now have, that every European country has seen its currency destroyed in the memory of the present generation. So that is a practical matter and not an economic theory.

I think the major deterrent to faster and more effective action is the fear that the upward trend of military expenditures, taxes, controls represent a permanent state of affairs, continuing austerity.

We have been emphasizing to the government leaders that we are now in a phase—this, of course, applies to the United States as well as it does to Europe, but I am now speaking of the European situation—of the capital build-up of our own defense machine, our defense establishments, our capital in defense equipment, which was disbursed or dissipated after the war. We are now re-creating it, and we may have to think in terms of capital levy until we reach that security point where our capital is established in terms of production, man-hours of training, and thereafter the curve will descend and level out, and the burden will be in terms of maintenance rather than capital charges, current rather than capital expense.

The third problem with which we have to deal, and which is one which I think you who are members of the team that went abroad recognize, is the fact that our parliamentary situation is very evenly balanced. We have precarious governments in most of the countries with which we have to deal. That means that domestic politics com-

plicate the situation. Domestic issues affect legislation and government action on the defense matters there, as everywhere.

I would like to mention as an example, on the issue of appointing an American admiral to the supreme command, the Conservative Party voted against, although the Conservative Party has been most generally sympathetic to the United States view.

Another example of delay was brought about in the French situation. I think we have strong individual leaders, and generally in many, if not most, countries I think most of them are ahead of their parliaments and can be counted upon to help their governments and peoples to understand the realities of the present situation.

I would like to conclude this very general summation, as I see it, of the political situation in Europe, general and probably oversimplified, in this way: First, I believe there has been a definite and substantial uptrend in morale, confidence, during the past year, most notable during the past few months.

I think there has been a definite increase in military strength, which the military witnesses have testified to, and will confirm later today and next week, measured in terms of men in uniform, military production, although the improved support of public opinion, the legislation that has gone on the books recently, is not fully reflected in these respects.

The over-all picture, of course, is not uniformly good. It is uneven between countries; it is uneven within countries as to different elements of the defense program; it is encouraging and dramatic in some and disappointing in others.

The defense upward trend we think represents a creditable and definite effort by our NAT partners.

A final word as to the place of the United States aid program in this picture. The previous witnesses have all emphasized, and I just wish to urge in conclusion, without elaborating on the point, that an essential element to the completion of the North Atlantic Treaty plan for a defense of the west is continuing United States support, in terms of both military and economic aid.

They are both necessary to the achievement of an effective posture in Europe in time, and time is the factor which we must keep very much in mind.

On the military side, as you know, the military program is designed to supply deficiencies of the force that will come into being. It is geared to military plans. The failure to provide the heavy hardware means fewer units for General Eisenhower or units that are formed behind schedule, again with loss of time, a very vital factor.

A word as to the economic side, which the others will enlarge on. It is marginal and it is supplementary to the effort of our NAT partners, to be used only in support of the defense programs and to serve as a cushion against inflation.

That is important because the transition from the ERP to the NAT phase of building up European strength must be gradual. There must be no sharp break. There is no profit in building a wall against external aggression and permitting collapse within via the Communist subversion, which we have called internal aggression.

Of possibly the greatest importance to the enactment of the present aid program is the positive evidence that will be given to our Euro-

pean partners of the continuity of the policy of the United States in support of a North Atlantic Treaty.

As you all know, the United States leadership is the major factor in directing this entire effort. Continuity and consistency are essential.

I think, Mr. Chairman, in conclusion of these informal remarks I wish to say that this program is essential and offers the best hope, not only for the security of the United States, but the preservation of freedom in the free world.

Chairman RICHARDS. Thank you very much, sir. We will go along with the statements and then we will ask questions from the different ones.

Our next witness on the list is Gen. A. Franklin Kibler, Director, Joint American Military Advisory Group for Europe. General Kibler.

STATEMENT OF GEN. A. FRANKLIN KIBLER, DIRECTOR, JOINT AMERICAN MILITARY ADVISORY GROUP FOR EUROPE

General KIBLER. Thank you, Mr. Chairman.

Chairman RICHARDS. General, I do not know whether you would prefer to make a statement or subject yourself first to questions on the European military situation or not. We will do whichever you prefer.

General KIBLER. I am prepared to make a brief statement, Mr. Chairman. I will say that, as the Director of the Joint Military Advisory Group in Europe, I am directly responsible to General Handy, who is the senior United States military representative for the Mutual Defense Assistance Program overseas in Europe. It is in his place that I have the honor to appear this morning.

There has been furnished for your record a report by General Handy. I am going to follow generally the outline of that report in my remarks.

Chairman RICHARDS. Do you request that General Handy's statement also be made a part of the record?

General KIBLER. Yes. It has already been submitted.

Chairman RICHARDS. It will be included in the record. Do you have copies?

Mr. CRAWFORD. I have copies. I will see it goes in the record.

(The statement referred to is as follows:)

REPORT BY GEN. THOMAS T. HANDY, COMMANDER IN CHIEF, EUROPE, TO THE UNITED STATES CONGRESS ON MILITARY ACTIVITIES IN EUROPE

This is a brief report on the military activities of our European partners in the North Atlantic Treaty during the past year. My observations are based upon information acquired during visits I have made (in my capacity as the United States Military Representative for Mutual Defense Assistance in Europe) during that period to all the European North Atlantic Treaty countries except Portugal; through my activities as the representative of the Joint Chiefs of Staff in the Western European Regional Planning Group of the North Atlantic Treaty Organization; as the military member of the European Coordinating Committee; and from periodic reports made to me by the Joint American Military Advisory Group, Europe. This last-named organization is the United States Joint Staff located in London that has had the day-to-day responsibility for representing the United States in defense planning and for the military aspects of the implementation of the military-aid program in Europe.

Measured only in terms of additional manpower in the armed services or in new combat units formed and ready for use, progress during the past year has been small. It must be remembered, however, that most of our European allies had a very poor foundation upon which to build. With the exception of the United Kingdom and Portugal, their military services were wrecked during World War II and their equipment completely destroyed. Portugal, with no recent military history, has an antiquated military establishment and the United Kingdom had, like all democracies in the postwar periods, allowed her military establishment to run down.

In the period between World War II and the advent of Communist aggression in Korea, all the Western European countries had been engaged primarily in rebuilding their civilian economy and attempting to restore the stability of their political structures. The military services were forced to begin their rebuilding with odds and ends of equipment left over from the German surrender, acquired from the United States or the United Kingdom at the close of the war or from various other sources.

A problem of equal importance was that of personnel. Following the surrender of the European armies early in the war, no new officers, noncommissioned officers, or technicians were trained. These, as you know, are the backbone of any efficient military organization; the instructors of recruits, the maintainers of equipment, and the basic combat leaders in battle.

Schools and training centers reestablished since the war had not turned these specialists out in adequate numbers. In a number of cases the capacity of these installations is still inadequate. Senior officers presented less of a problem, but even here lack of experience has made more difficult the task of reestablishing efficient service staffs and ministries.

During the past year, however, and especially since the outbreak of war in Korea, all countries have been actively engaged in laying the ground work that is necessary to the effective development of a sound military posture. Service schools are being expanded and training centers reorganized to make more effective use of available facilities. More modern methods of instruction and training are being employed. A substantial number of instructor-type personnel and technicians have been trained in United States schools and installations and returned to their own countries as instructors. Terms of military service have been lengthened. Military services are being reorganized to produce combat units that will fit more readily into an integrated allied army. Not all countries have done all of these things for change is not easily effected in countries of strong traditions, but very real progress has been made.

The things I have just mentioned are matters which each country must deal with individually. There are many other matters in the collective-planning field, however, in which progress has also been made. Understandings have been reached in a number of matters pertaining to the relinquishment of national sovereignty in time of war—an extremely sensitive matter and one representing material concessions on the part of several countries. Agreements have been reached on standardized procedures in many areas of military endeavor which will assist in the effective collaboration of allied units in war. This type of endeavor is an essential prelude to the development of an integrated force under an allied supreme commander.

Progress has also been made in drafting defense plans. It remains for the Supreme Headquarters Allied Powers in Europe to refine these plans for the most effective operational use, but they have served the very real purpose of defining the magnitude of the task ahead of us and of eliciting commitments from nations for raising the major portion of the forces which this planning has shown to be required for a successful defense of Western Europe. The raising, equipping, and training of these forces is obviously the major task confronting us. My views on the progress so far made by each country in meeting its military commitments, as well as my estimate of the likelihood of their reaching them by 1954, I shall discuss separately because of the security aspects of my remarks. (See annex A attached.)

The judgments expressed as to the ability of countries (the United Kingdom excepted) to achieve their NATO force commitments is based upon their ability to raise, organize, train, and partially equip the forces represented by their commitments. With maximum use of the present capacity to produce military end items in Western Europe, it is clearly not possible within the time required to equip adequately the forces to be raised by Western Europe. This is the basic reason why it is necessary to make available United States end item and economic aid.

The mutual defense assistance program has contributed materially to the success which the European countries have had in having the ground work for greater defense progress in the future and can be expected to have an increasingly strong effect as deliveries of military equipment speed up. I have mentioned the fact that a substantial number of instructors and technicians have been trained in United States installations. These instructors, having returned home to their own training centers, are having marked success in improving the quality of training in every country. This improved training and the increasingly large flow of new equipment have been basic factors in the improvement of the morale of the European armed forces that is apparent to all observers. Furthermore, the mutual defense assistance program is positive proof to the Europeans that the United States is wholeheartedly behind the NATO defense effort. This stimulus is needed by the European countries in order to completely erase the apathy with which they have heretofore been plagued and encourage them to increase their own efforts toward raising forces and manufacturing munitions.

Our representatives in each of the European countries are giving valuable assistance to insure that the equipment being furnished is properly used. These efforts are even now being augmented by General Eisenhower and his staff who are charged with seeing that national forces are organized and trained in such a manner that they can be integrated into an effective Allied Army. I am confident that, given time, this goal can be reached and United States security very greatly augmented thereby.

One final thought: We can neither maintain our way of life nor indefinitely insure the security of the United States without the full assistance of the NATO countries. It is imperative, then, that we hold our allies in Western Europe—the manpower and industrial capacity that enables us to maintain a favorable potential balance of strength. As I have indicated, our European allies are incapable, in the time considered to be available, of raising and equipping, unaided, the forces needed for a successful defense of this key area. Only the United States can provide this needed assistance. It is my considered opinion, therefore, that mutual defense assistance to our European allies is our only acceptable alternative and must be continued.

General KIBLER. General Handy is responsible for the military activities of the Mutual Defense Assistance Program. I am going to talk about the military activities of our North Atlantic Treaty partners, and the impact of the Mutual Defense Assistance Program on improving their military posture.

My organization, which we call JAMAG, is the staff for General Handy in executing his mission of the general responsibility to the Secretary of Defense and Joint Chiefs of Staff for the Military Assistance Program in Europe. We work very closely with the other regional agencies and coordinate the military part of the program with the Office of the United States Deputy Ambassador Spofford, for political aspects, the Office of the Special Representative for Economic Cooperation Administration, Ambassador Katz, for the economic aspects, and the Office of the United States Representative of Defense Production Board, Mr. Batt, for matters relating to European production.

At the country level, there is a country team of which the Military Assistance Advisory Group, which we call MAAG, also a joint Army, Navy, and Air Force organization, carries out the military portion of the program, under the operational and policy control of JAMAG.

This group is responsible for the programming of end items and training, requisitioning, receiving, and turning over equipment, together with its subsequent inspection to insure proper utilization. At both the country and the European level, the military organization works in close coordination with their State Department and Economic Cooperation Administration counterparts.

We recognize that the closest integration must exist between the United States agencies responsible for the Mutual Defense Assist-

ance Program and the Supreme Headquarters Allied Powers in Europe, SHAPE. General Eisenhower, however, does not desire to affect his international status by assuming responsibility for what is strictly a United States program.

Moreover, it is recognized that a tendency might develop for international members of his staff to attempt to participate in allocating the equipment provided by the United States Mutual Defense Assistance Program.

A close-working channel, therefore, has been developed between the Joint American Military Advisory Group and the United States element of SHAPE to insure that end-item and training programs are developed on a United States-eyes-only basis but thoroughly in consonance with SHAPE's force requirements, General Eisenhower's plans for their employment and his views as regards interservice and intercountry priorities.

In considering the present status of the North Atlantic Treaty Organization nations, it must be remembered that most of our European allies suffered seriously during World War II in losses of manpower, resources, and productive means.

Moreover, with the exception of the United Kingdom and Portugal, their military services were wrecked and their military equipment largely destroyed.

Our allies, therefore, had a very poor foundation upon which to rebuild their military forces. They were forced to begin their rebuilding with odds and ends of equipment which were salvaged after the German surrender, or were acquired subsequently from the United States, the United Kingdom, or various other sources.

Following the surrender of the European armies early in the war, no new officers and noncommissioned officers were trained. These, as you know, are the backbone of any efficient military organization: The instructors of recruits, the maintainers of equipment, and the basic combat leaders in battle.

Given sufficient time and the will, our allies could achieve a measure of military stability with a minimum of assistance. However, with increased evidence of Soviet aggressiveness, time has become the essential consideration.

Our North Atlantic Treaty Organization partners cannot achieve the goals, called for by the European defense plan, unless they are given substantial United States assistance in the form of United States end-item equipment, training assistance, production know-how, raw materials, and the many other things which a modern army requires and which are essential to the successful waging of modern war, together with whatever economic help is required to support the basic economy upon which the military efforts rest.

Now, what has been the impact of the Mutual Defense Assistance Program upon the European military picture?

The Mutual Defense Assistance Program is positive proof to the Europeans that the United States is wholeheartedly behind the North Atlantic Treaty Organization defense effort; and this moral and physical backing has gone a long way to erase the apathy with which they have heretofore been plagued and it is encouraging them to increase their own efforts toward raising forces and manufacturing munitions.

Some specific fields in which their efforts have been stimulated by the Mutual Defense Assistance Program are:

Service schools are being expanded and training centers reorganized to make more effective use of available facilities;

More modern methods of instruction and training are being employed;

Approximately 10,000 instructor-type personnel and technicians have been trained in the United States schools and installations, and returned to their own countries as instructors——

Mr. VORYS. Just a second. Would the chairman yield to me for a moment? We have been here for an hour and we have heard merely a repetition of general stuff, a lot of which we got in the background documents some months ago, about organizations, etc.

I wonder if these gentlemen have been at all briefed on what we have heard and what the time element is with us.

I am inquiring, because if it is proposed to spend the next hour in repetition of stuff we have already heard a dozen times, I would like to go to my office.

Chairman RICHARDS. Well, the idea was that these gentlemen would put their statements in the record and subject themselves to questioning, because our time is rather limited. We are trying to finish all testimony Tuesday.

You see, we have come down to the point where we want to ask questions. We have heard the general policy over and over again. We have been running three sessions a day for 2 or 3 weeks. We are just going over old ground now.

If you gentlemen want to do that, we will hear you, but these members here really want to get down to the bone of contention in these things.

I do not know that you have been briefed on that or that anybody has told you what we have heard before this committee.

Has the clerk or anybody told these gentlemen what we want? Where is Mr. Coolidge?

Mr. CRAWFORD. The chairman is asking if these gentlemen have been briefed on the testimony previously given the committee.

Mr. COOLIDGE. Yes, they have, Mr. Chairman. The thought was that from their point of view you would like to know the general situation there, but it was not expected it would take much time. Their point of view is a different one than exists in Washington.

Chairman RICHARDS. We will not get a chance to ask any questions. This is just a morning session.

Ambassador KATZ. May I make a suggestion? Why not go on to the questioning. I am sure that is satisfactory.

Mr. CHIPERFIELD. Is this the only day that you are going to be before us?

Mr. VORYS. It is the only day planned, is it not?

Chairman RICHARDS. If we do not get the answers we want to all of the questions, you gentlemen will have to come back.

Mr. COOLIDGE. When they were briefed, I think there was a considerably longer time on the schedule.

Chairman RICHARDS. If there is anything we want, we will extend the time. I agree with Mr. Chipperfield and Mr. Vorys. We are really going to be wasting a lot of time here for a matter that is going in the record anyway.

We can read that any time.

Mr. COOLIDGE. I am sure, Mr. Chairman, you will get no objection from the witnesses if you go right to questioning.

Ambassador KATZ. If it represents the preference of everyone in this room, why not do it?

Mr. MANSFIELD. May I suggest then that Mr. Batt join the rest of the team, and they all file their statements for the record so we can study them, and start with the questioning.

Chairman RICHARDS. I think that is a good idea. Mr. Batt, will you come forward? All of these statements will be filed for the record if there is no objection.

(The statements referred to are as follows:)

STATEMENT OF AMBASSADOR MILTON KATZ, UNITED STATES SPECIAL REPRESENTATIVE
IN EUROPE, ECA

INTRODUCTORY STATEMENT

On the basis of 8 years of work and observation in Europe, it is my judgment that the Mutual Security Program, now before the Congress, is soundly designed to meet critical United States needs in Europe. Its justification rests upon three central propositions:

That, realistically seen and understood, Europe is a battleground whose security is critically important to the security of the United States.

That, during the past 3 years, the United States and its allies have been winning in the struggle under way—but far from won—in Europe.

That the Mutual Security Program is needed to bring into being the means essential to consolidate the positions already won and to extend our gains to the point where the security and peace of the United States and the Atlantic community can be firmly established.

I. THE SETTING

Europe has been under attack by the Soviet Union and its agencies and instruments since 1945. The attack has been both internal and external. The many-sided internal offensive has included political penetration and the attempt to disrupt parliamentary processes through the Communist Party and Communist-front organizations; the penetration and capture of labor unions; economic dislocation through political strikes and sabotage; and a vast propaganda apparatus. The external aggression has included the systematic exploitation of the fear of war, in which a primary instrument has been the shadow of the Red army; the cutting off of exports, as in the case of manganese; actual blockade in Berlin; and the fomenting and support of guerrilla warfare in Greece.

This offensive was aided by the economic distress and dislocation following the war.

Until 1947, the defense was limited and sporadic. Since then, the defense has become increasingly comprehensive and systematic. The United States participation in this defense has evolved from the interim-aid programs and the support of Greece in 1947, through the Marshall plan and the steady development of mutual-defense assistance and the United States role in the North Atlantic Treaty Organization. The Mutual Security Program now before the Congress represents an appropriate and necessary next step.

On the record, these policies and their execution have been vindicated by events.

I shall undertake briefly to review the record, and to outline the job being done and which must be done, particularly in its economic and production aspects.

II. THE RECORD TO DATE ON THE ECONOMIC FRONT

A. Gains in production

1. *Industrial production.*—In 1947, the level of over-all industrial production in the 18 Marshall-plan countries had fallen to 87 percent of the level of 1938. In 1950 it had increased to 127 percent of the 1938 level. This increase represents an improvement of 40 percent since 1947.

2. *Agricultural production.*—In 1947–48, the level of over-all agricultural production in the Marshall-plan countries was only 88 percent of the prewar level.

In 1950-51 it was 110 percent of the prewar level, representing an improvement of 25 percent since 1947-48.

3. *Industrial production—Steel; electric power; oil refining; coal; rail transport.*—Advances of the same order have been registered in the production of basic materials and services.

(a) *Steel.*—Steel production, which in 1947 was down to 68 percent of the 1938 level, was up to 112 percent of this level in 1950, representing an advance of 65 percent.

(b) *Electric power.*—The production of electric power, which was at 181 percent of the 1938 level in 1947, was up to 178 percent in 1950, an increase of 37 percent.

(c) *Petroleum refining.*—Oil-refining capacity, which in 1947 was equal to the prewar level, was raised to 300 percent of the prewar level in 1950, an increase of 200 percent.

(d) *Coal.*—Coal production, off to 77 percent of the 1938 level in 1947, was up to 93 percent in 1950.

(e) *Rail transport.*—Rail transportation, which was at about 105 percent of prewar levels in 1947, was up to 124 percent of the prewar level in 1950, an improvement of 18 percent.

B. Gains in intra-European trade

In 1947, the vital process of exchanging goods and services between the European countries was at a very low ebb. The aggregate volume of this trade for the Marshall-plan countries in 1947 was only 60 percent of that in 1938. In 1950 the volume of this trade rose to 124 percent of the 1938 level.

C. Deduction of dollar deficit

In 1947, the aggregate dollar deficit of the Marshall-plan countries reached a level of \$8.5 billion. In 1950-51, this had been cut sharply to \$1.0 billion.

D. Progress toward economic integration

Special mention should be made of three important steps toward the development of free Europe's resources in terms of Europe as a whole.

1. *The European Payments Union.*—One of these is the establishment of the European Payments Union. During its first year of actual operation, it faced successfully two crises. One was the abrupt pressure upon European payments patterns resulting from the Communist aggression in Korea. The other was a sudden and critical drain on German payments resources. The initiative and responsibility displayed by the Managing Board of EPU give solid promise for the constructive development of this institution.

2. *Trade liberalization.*—In the course of the last 12 months, member countries of the OEEC (with exception of a few countries faced by special financial difficulties) agreed to remove all import quotas on goods accounting for 75 percent of the value of their imports on private account from other member countries in 1948.

3. *Schuman plan.*—The Schuman plan has been initiated. The plan is designed to establish conditions under which the coal and iron and steel industries of six Western European countries would operate in a single market. Within this market, it is contemplated that all tariff and quota restrictions on coal, iron, and steel are to be abolished. The plan now awaits the necessary parliamentary approval to go into effect.

III. THE RECORD ON THE POLITICAL, LABOR, AND INFORMATION FRONTS, AND IN BERLIN AND GREECE

A. Gains on the political front

1. *Communist strength in parliaments.*—In Britain, the two Communists who had been members of Parliament have been defeated. In Norway, the 11 Communists who had been members of Parliament have been defeated. In the Netherlands, the number of Communist members of Parliament has dropped from 10 to 8 (out of a total of 100). In France the Communist membership in the Parliament has been reduced from 181 to 101. In Belgium, the Communist membership in Parliament was reduced from 23 to 7. In Austria's postwar parliamentary election, the Communists won only 5 out of 165 seats. In the first parliamentary elections in the Federal Republic of Germany, no Communist candidate succeeded in winning a majority vote in any district. Through

the workings of the German system of proportional representation, 15 Communists are members of the Bundestag, whose total membership is 402.

Despite these gains, the size of the Communist vote in the recent elections in France and in Italy make it clear that the struggle on the political front is still a matter of grave concern.

2. *Turkey*.—The dramatic evolution of government in Turkey, through free elections, to a parliamentary democracy, is, of course, primarily a tribute to the people of Turkey and its leaders. They were better able to succeed in their remarkable efforts in the context of the Marshall plan and European cooperation.

B. Gains on the labor front

Gains on the labor front include—1. *The rise and increased strength of the free trade-unions in France—FO and CFTC*.—It is estimated that since 1947 the Communist-dominated CGT has lost close to 2,000,000 of its members. It remains, however, the largest labor-union federation in France, with a membership of from 3 to 3.5 million. Many of these have remained unaffiliated with any union; many have joined the FO and CFTC. The membership of FO now stands at about 800,000; that of the CFTC at between 500,000 and 600,000.

2. *The rise of the free trade-unions in Italy—CISL*.—It is estimated that the Communist-led CGIL has lost close to 2.5 million members. But it remains the largest labor-union federation in Italy, with a membership between 2.5 and 3 million. The newly formed free labor union, the CISL, has a membership of about 1,200,000. Another smaller non-Communist union, the UIL, has a membership of 300,000.

3. *The rise of the International Confederation of Free Trade-Unions (ICTFU) and the numerous withdrawals from the World Federation of Free Trade-Unions (WFTU)*.—The ICTFU now includes in its membership free unions from 60 countries with an estimated membership of 52.5 million.

4. *The failure of the Communist-dominated unions, in spite of strenuous efforts, to close the ports of Marseilles, Cherbourg, Antwerp, Genoa, and Naples and other great ports to arms-aid shipments*.—Despite these gains, the continuing grip of the Communists on the largest labor unions of France and Italy remains one of the serious danger points in Europe.

C. Results on the information front

1. *Newspaper coverage on economic aid*.—Western Europe's 2,000 daily newspapers have this past year given an average of 8,000 articles per week to their 60,000,000 readers on American economic aid, twice as many as a year ago.

2. *Newspaper coverage on the Marshall plan*.—ECA's monthly newspaper coverages are being shown in commercial theaters in Europe with an average weekly audience of 30,000,000 people, and ECA documentary films were shown to a total commercial audience of 64,000,000 and to a total noncommercial audience of 33,000,000 during the past 12 months.

3. *Radio coverage on the Marshall plan*.—In programs varying in length from 5 minutes to 1 hour, 45 ECA radio shows per week have been broadcast on the networks of the 17 Marshall-plan countries to an estimated audience of 125,000,000.

4. *Other forms of information*.—More than 26,000,000 Europeans have seen 50 Marshall-plan exhibits during the past year. To tell the story of the motives and solid practical results of American aid, wall newspapers on ECA have been widely distributed in Turkey; mobile motion-picture units have been used in Italy and France; an exhibit boat has been used among the Greek islands; barges in Holland; and a traveling train in Germany, Austria, France, Italy, and Greece.

5. *Decline in Communist newspapers circulation*.—Since 1947, with one exception, every French Communist daily newspaper, every Communist weekly, and every Communist monthly has significantly lost circulation. The exception is *Heures Claires*, a monthly picture and style magazine for women.

D. Victories in Berlin and Greece

The mention of Berlin and Greece tell their own story. These have been the two conspicuous points of external aggression against free Europe in the unrelenting Soviet Communist attempt to subjugate it.

The triumph of the free people of West Berlin and the airlift over the blockade and the triumph of the Greek people with American aid over the guerrilla attacks fomented and assisted from Soviet-dominated Europe are two immensely significant victories in the hard record of the years since the war.

IV. THE BUILD-UP OF EUROPE'S MILITARY DEFENSES

A. European defense budgets

In the fiscal year 1949-50, ending with the outbreak of the Communist aggression in Korea, the aggregate defense budgets of the nine European NATO countries (excluding Portugal) amount to \$4,045 million, or 5 percent of gross national product. The figure for the United Kingdom was \$2,105 million, or 5.7 percent of gross national product; for France, \$1,544 million, or 0.5 percent of gross national product; and for Italy, \$475 million, or 3.4 percent of gross national product.

In the fiscal year 1950-51, which has just been completed, European defense expenditures began to rise. The aggregate figure for these European NATO countries was \$5,979 million, or 6 percent of gross national product. The figure for the United Kingdom was \$2,450 million, or 0.2 percent; for France, \$2,235 million, or 8.2 percent; and for Italy, \$850 million, or 4.3 percent.

During the current fiscal year 1952, the defense budgets of these NATO countries will rise again, and at a faster rate.

(Here Ambassador Katz discussed plans by which the total NATO defense budgets would be increased.)

B. Comparison with the United States

In the United States, the pre-Korea level of defense expenditures during the fiscal year 1949-50 was \$13,200 million, or 5.1 percent of gross national product. This percentage was approximately the same as the percentage of the Western European countries. In the fiscal year 1950/51, however, the defense budget level was upped to \$22,200 million, or 7.3 percent of gross national product, which was substantially higher than the figure of 6 percent of gross national product in Western Europe. In the fiscal year 1952, the President has recommended a level of defense expenditures which, if the recommended expenditures for foreign aid, both military and economic, are included, would aggregate \$16,000 million. This figure is stated on an expenditure, as contrasted with an appropriation basis, the expenditure basis being a proper one to use in comparing American with European figures. Expenditures of this level will amount to about 14 percent of gross national product. [Here Ambassador Katz compared the defense expenditures of the United States in relation to the gross national product with the projected increases in Western Europe.]

C. Basic indicators to assist in evaluating foregoing data on a comparative basis

1. *Per capita gross nation product.*—In the United States, per capita gross national product for the fiscal year 1950/51 was \$1083. In the nine European NATO countries (excluding Portugal), it was \$600. In the United States, this figure will increase to \$2143 in the fiscal year 1952. In Europe and NATO countries it will increase likewise, but only to \$620.

2. *Real wages.*—During the pre-Korean period (early 1950), approximately 7 hours of labor were required in the United States to earn enough to buy one pair of shoes. The corresponding figure for the European NATO countries ranged from 13 hours in United Kingdom to 55 hours in Italy.

In the United States, 34 minutes of labor were required to buy a pound of butter, as compared to 40 minutes in United Kingdom, 3 hours in France, and 8 hours and 20 minutes in Italy.

To buy a pair of worker's overalls requires 2 hours 0 minutes of work in the United States, 10 hours 22 minutes in the United Kingdom, 14 hours 30 minutes in France, 48 hours 37 minutes in Italy.

To earn a 0.7 cubic-foot refrigerator required 153 hours of work in the United States, 637 hours in the United Kingdom, and 604 hours in Italy.

In the United States a bicycle can be earned in 35 hours, while it takes 90 hours on the average to earn one in United Kingdom, 118 hours in France, 138 hours in Italy.

3. *Trends in per capita consumption.*—Between 1939 and 1950/51, per capita consumption in the United States rose 30 percent. In the European NATO countries, it was, with some variation between countries, about the same in 1950/51 as in 1939.

These are basic facts which must be kept in mind when a comparison between the United States and Western Europe is made.

V. ECONOMIC AND PRODUCTION ASPECTS OF EUROPE'S DEFENSE BUILD-UP

A. Continued increases in basic production

1. *Over-all production.*—On the basis of current indications, we believe that the aggregate gross national product of the European NATO countries can be increased during the next year from the present level of about \$101 billion to a new high level of about \$105 billion, or an increase of approximately 4 percent.

2. *Coal.*—It is particularly important that the production of coal be stepped up, since coal is currently being imported from the United States, at the rate of 2½ million tons per month. Our European NATO partners are alive to the gravity of the problem, and strenuous efforts will be made further to increase coal production.

3. *Petroleum.*—European refining capacity continues to be rapidly augmented. It is expected that the present production rate of 1 million barrels per day will be increased to a rate of 1,250,000 barrels per day by the end of 1952.

4. *Sulfur.*—Sulfur is critically short in Western Europe. Since exports from the United States are the chief source of European supply, Europe is now largely dependent on the size of United States export allocations. However, Europe is undertaking to expand supplies of sulfur from pyrites, anhydrites, and zinc blende to substitute for crude sulfur imported from the United States.

5. *Electric power.*—Electric power is in short supply in nearly all the Western European countries. However, additions to generating capacity are being made at the rate of 5.2 million kilowatts (or approximately 9 percent) per year. Additional expansion plans are under consideration.

6. *Nonferrous metals.*—The production of the six principal nonferrous metals (aluminum, copper, lead, zinc, tin, and nickel) in the Marshall plan countries and their overseas territories increased from 340,000 tons in the first quarter of 1950 to 378,000 tons in the first quarter of 1951. Large development projects, including lead and zinc mines in Morocco and aluminum refining facilities in Norway, have been or will shortly be instituted.

7. *Food.*—The increases in agricultural production since 1947 have no more than kept pace with increases in population, and more intensive efforts will be required in the future. It is expected that over-all agricultural production will increase by approximately 6 to 8 percent in the next 2 years, but it is possible that these estimates may be upset as a result of unfavorable weather conditions.

B. Productivity

There is good reason to believe that the level of industrial production per man-hour can be increased by approximately 4 percent during the next fiscal year, or two in the European NATO countries taken as a whole.

C. Controlling the use of materials in short supply

A few countries (the United Kingdom and the Netherlands) have established a form of priority system under which certain critical materials are allocated to defense and other essential industries. Across-the-board reductions in the use of certain materials have been made by some countries (particularly the United Kingdom and Norway) and end-use prohibitions similar to those in the United States have been applied in a number of countries. With respect to a very limited list of materials, principally copper and other nonferrous metals, there has been a limited application of inventory controls.

In the case of materials requiring import licenses, the necessary end use of quantitative controls can to some extent be effected through the administration of import controls.

The actual margin available for reduction in less essential uses is naturally more limited in Europe than in the United States, because of lower levels of consumption. For example, the United Kingdom can produce about 400,000 automobiles a year, of which 320,000 are reserved for export to earn vital foreign exchange. As a result, only 1 person in 335 has even a chance to purchase a car in any year, as compared with 1 in 35 in the United States.

VI. THE FUNCTION OF ECONOMIC ASSISTANCE

The mutual defense assistance program which has been recommended to the Congress includes a request for economic assistance to Europe in the amount of \$1,850,000,000. After making allowance for certain sums to cover the development of basic materials, ocean freight for voluntary relief packages, technical assistance, and recommended aid to Yugoslavia, there would be left \$1,512,000,000 for economic assistance to the countries of Europe which would fall within the program.

By economic assistance is meant assistance other than military end products—i. e., tools, materials, equipment, and food for the purchase of which dollars are required. Properly understood, economic assistance and military assistance are two phases of a single process. Military aid—i. e., grants in the form of military end products—is in fact also economic aid, since in the absence of such aid the drain upon the economy of the recipient country to build up its necessary defenses would be much greater. Economic assistance—i. e., aid in the form of dollars to purchase tools, materials, equipment, and food—is also in fact military aid, in that it makes possible the effective mobilization of the recipient countries' resources to build up their military defenses. The principal functions of economic assistance for helping to build up defenses of Europe against aggression are these:

A. Effective mobilization of Europe's resources for the manufacture of arms

1. The countries of Europe have major resources for the production of military equipment and supplies in the form of management, labor, research scientists and technicians, facilities and materials. In themselves, they are inadequate to build up the equipment and supplies needed at a sufficiently rapid rate. When supplemented by materials, tools, and productive equipment from the United States, their capacity to produce is significantly increased. For the United States each article of military equipment and supplies produced is much less costly than the same article would have been if produced entirely from the resources of the United States.

B. Increasing basic production

The capacity of Europe both to produce armaments and to maintain operating defensive forces depends upon basic elements in its economy, such as transportation, communications, electric power, fuel, steel, and food. Economic assistance which increases the strength of these basic elements of the European economy correspondingly increases its defensive strength.

C. Defense against internal aggression

The Soviet Communist offensive against free Europe is both internal and external. Without economic assistance, the necessary rate of build-up of military defenses would be impossible for the countries of Europe and the effort to achieve such a rate of build-up would lead to inflation, internal dislocation, and intolerable strain which would render them vulnerable to internal collapse and attack from within.

(The statements of General Kibler and Mr. Batt have been inserted in the executive session record.)

Chairman RICHARDS. Mr. Chipersfield, do you have any questions that you want to ask on the political, economic, or military phase of this problem?

Mr. CHIPERSFIELD. I would like to ask what use is going to be made of counterpart funds.

Ambassador KATZ. I might answer that, Mr. Chipersfield. Under the statute in its present form counterpart cannot be used for military purposes. We think the statute should be amended.

Mr. CHIPERSFIELD. We have discussed that. It probably will be changed.

Ambassador KATZ. I think it should be. Does that answer your question?

Mr. CHIPERSFIELD. Do you think we should have control of those counterpart funds?

Ambassador KATZ. My view would be this: I think the statute should specify the purpose for which counterpart should be used. I think it should specify the three or four purposes which would be in the United States interest.

In my view, those would be three or four things: the use of counterpart for the military build-up, the use of counterpart for strategic materials, and to increase the productivity of the European plant.

Mr. CHIPPERFIELD. How much counterpart is now available? We could not get the answer to that.

Ambassador KATZ. In the aggregate, all currency!

**STATEMENT OF HON. WILLIAM L. BATT, UNITED STATES MEMBER,
DEFENSE PRODUCTION BOARD**

Mr. BATT. About \$300 million.

Ambassador KATZ. I would not know the exact figure unfortunately, if I had to add in the drachma. If you want a rough figure, we gave them \$12 million worth of aid that was reflected in a corresponding part counterpart. That would be about \$11 million of counterpart by which they have probably spent three-quarters.

Mr. CHIPPERFIELD. We were given two lists of figures yesterday. One was the amount that would have been given to a country if there had not been additional war effort, and the other amount was what was necessary because of the war effort.

I recall, for example, we would have given Italy \$75 million for general economic relief, and we are going to give her an additional \$200 million because of the war effort.

Would it be feasible that we take the counterpart from the \$200 million that we are going to give her this year and make use of the production facilities in Italy, be it shipbuilding or what not, and use counterpart for military purposes in that country?

Ambassador KATZ. Mr. Chipperfield, the direct and practical answer to your question is "Yes." There are a lot of technical curlicues in that. If you want me to go into those, I will. Substantially, as a practical matter, the answer is "Yes."

Mr. CHIPPERFIELD. Are you going to use counterpart as part of the additional effort of the Italian Government? In other words, are they lifting themselves up instead of making an additional effort by using counterpart and saying, "What a big boy am I?"

Ambassador KATZ. Maybe I misunderstood your question. Did you mean to use the counterpart to buy equipment for the American forces?

Mr. CHIPPERFIELD. For anything that is necessary.

Ambassador KATZ. It would be very easy to provide that counterpart be used for Italian forces. Is that what you have in mind?

Mr. CHIPPERFIELD. Why Italian?

Ambassador KATZ. For European forces.

Mr. CHIPPERFIELD. NATO forces.

Ambassador KATZ. Yes.

Mr. CHIPPERFIELD. If they use counterpart made possible by us and say, "Look what a great additional effort we are making," they are not making it at all.

I think we should have control of counterpart, and say, "You make your extra effort. We are giving you \$200 million for that reason." And then we take control of the counterpart and make additional effort along military lines for NATO countries.

They paid for our products in counterpart funds, but we are all in this thing together. It seems to me that we should make use of the additional money we are putting in for military efforts, and use those counterpart funds for that purpose. Do you agree with me?

Ambassador KATZ. Mr. Chipfield, I would like to answer that question this way: What you suggest can be done, in my opinion. Therefore, the only question that I can see is, Is it in the United States' interest to do it that way?

My own view would be to provide that counterpart may on agreement between the country and the United States be used for armament production. And then make our decisions as we go along in the light of all the facts to see what gets us the best results.

Mr. SMITH. I would like to ask a question along that line. Has this matter been explored with the other governments on the point that has been raised by Mr. Chipfield?

Ambassador KATZ. Informally a number of the other governments have been told that we would recommend that the Congress amend the statute to provide that one of the primary uses for 95 percent counterpart will be armament.

To the best of my knowledge it has not been suggested to them that the control over the disposition of the counterpart should be under unilateral United States control.

What they understood was that the counterpart should be spent for the following classes of purposes upon agreement between the government and the United States, one of the primary purposes being armament.

Mr. SMITH. Part of it has been used, as a matter of fact, to retire some indebtedness; is that not true?

Mr. BATT. In Great Britain.

Ambassador KATZ. In Norway, Denmark, and France.

Mr. CHIPFIELD. That is all, Mr. Chairman.

Chairman RICHARDS. I want to ask this question. I am sure we are all impressed by the gains made by our friends over there in supplying themselves.

I would like to know to what extent they are using their manufacturing capacity as a give-and-take proposition to supply each other in this over-all program.

Would you say something on that?

(Discussion off the record.)

Mr. BATT. They are moving upward. The difficulty in every case as to using spare facilities, and there are spare facilities, particularly in France and Italy, to a lesser degree in Belgium, is that they do not have the budgets that enable them to buy the products of their own factories.

You have heard from various testimony that we have considered they are doing pretty nearly, within 10 or 15 percent, of what they can presently be expected to do in the way of budgets for rearmament.

Those budgets are not nearly big enough to supply their deficiencies. These deficiencies exist, and the Defense Production Board is making clear to all these countries the size of these deficiencies and where they exist.

They are stepping up their production, Mr. Richards, but it will never pick up this gap because there are certain things in a modern war they cannot make.

They do not have facilities for heavy artillery or heavy bombers.

Chairman RICHARDS. But there are certain things they can make and they are not doing it.

Mr. BATT. Yes. In the field of spare parts, small arms, small-arms ammunition, electronics, standard engineering parts, they have got more capacity than their deficiencies would presently occupy.

All they need however is the financial ability to utilize those capacities.

Mr. CHIPERFIELD. How about using counterpart?

Mr. BATT. Of course, your question runs directly to that. Offshore procurement from the United States we have not used up to the present time. We are actively discussing it now. And I think it is proper for me to say that we are firming up a decision, to be cleared through the proper sources, to do some procurement in Europe for our own forces or for the use of the NATO forces through these idle facilities.

As soon as we can get around to it, the use of counterpart for that purpose—

Mr. CHIPERFIELD. You could also use dollars in Europe?

Mr. BATT. Yes. We have not done that up to this point. We have been hesitant to do that. We were so afraid that the moment we started putting dollars in there they would sit back in the traces and say, "Well, obviously the United States is going to do it." There has been enough of that tendency anyway.

Our own analysis, which we had to make for presentation to this Congress, was that they were up to within 10 or 15 percent of all they could do. There the so-called disincentive argument begins to lose substance.

We have said they are doing all they can. Then there is not much disincentive in putting some American dollars over there, particularly if we put them over there to replace items that we have committed ourselves to under end-item aid.

The United States is chuck-a-block. If we can take some of that load off the shoulders of our own production facilities, I think our own production people will be glad.

The thing we have talked about as a starter are ammunition, particularly small-arms ammunition, and spare parts. Those are consumable goods. The significance of that is that once we get that capital build-up, which largely has to come from the United States because it cannot be done over there in any reasonable time, who is going to keep the thing going? The Europeans ought to keep it going. The maintenance of this equipment and the ammunition required will be the big element.

If we can prime that pump, get those lines going, with direct dollars, as soon as we can develop it with the use of counterpart, then we are in a position to say to those people, "Boys, you take it over. It is something you can do." Is that a reasonable answer to your question?

Chairman RICHARDS. I think that is good.

(Discussion off the record.)

Ambassador KATZ. We have estimated if the financing were there and the materials were available, if the labor were available, there is physical capacity to make another \$500 or \$600 million worth of stuff.

When we are talking about the potential increase, that is the potential; that is to say, the physical capacity for about \$500 or \$600 million worth of stuff.

It is stuff of a certain kind, as Mr. Batt pointed out, electronics, small arms, small-arms ammunition, certain engineering types of equipment, transport vehicles, and the rest.

If you provide the financing it does not follow, even if you put United States dollars in there, that you will actually get another half billion dollars' worth of production.

That will depend on whether the materials flow in. You may pass from the present situation where the limiting factor is financing to a new situation where the limiting factor is materials.

The situation that Mr. Batt referred to, which we have recommended and may be accepted, rests on two practical propositions.

The first is that no one will ever know how much of that half billion you can get until you try, so let us start and try.

The second is that since at the end of this period we want these countries to be able to maintain these forces themselves there is a second reason for activating this capacity. That is to say that in addition to getting the extra half billion dollars of production we want these fellows started on making the ammunition and spare parts they will have to make if they are to maintain the force after 1954.

What we will actually get will be something between zero and \$500 million. Nobody can give you a statistical figure.

Chairman RICHARDS. You will get that by what time?

Ambassador KATZ. That would depend on when we start buying. Our calculations were based on the assumption that when we made those assumptions we figured if we could start buying then we could realize the half billion assuming the materials would be there.

The later you start the less you get.

Mr. BATT. I want to emphasize the effect of raw materials, machinery tools, and the like in Europe. It is a great element of the problem. In Great Britain today financing is not the major element at all. It is raw materials, and, in Great Britain, manpower and machinery. We are going to run into that.

But we are also aware of the fact that another problem in getting spare-parts manufacture started is the problem of getting out of the United States, the firms in the United States, the drawings and specifications and the know-how for these spare parts. Gentlemen, I tell you that is not easy.

Ammunition we think we can deal with. That is a military problem. They have the specifications for it. Even some of the ammunition is tied up with patents in 16 different ways. Many of the spare parts are much worse.

We have been trying to develop a spare-parts program for study for the last 8 months. While we are closer to having it today, I assure you that we have had great difficulties in agreeing on spare parts to be made in Europe, for a thousand and one perfectly logical reasons.

I think the bottleneck is broken. You ask how soon. I would say if someone was ready to hand to me the blueprints and specifications we could go over and get the orders placed in 30 days.

I know we will not have the technical information that soon on spare parts. We ought to get it on ammunition. Fortunately, the services like this idea because it is a great addition to our security. It is far better to have all these small plants building the stuff that is necessary to keep the Army going, and have it right there independent of transport.

I gave you the reason why we have shied off it up to this time. We now are wholeheartedly of the opinion this is the time to start doing it.

Chairman RICHARDS. In answer to Mr. Chipperfield's question, you would say you are definitely shaping up a program to use counterpart for some of the—

Mr. BATT. Yes; but we do not want to be tied to counterpart, because you have to negotiate out the counterpart transactions.

We would like to start the pump flowing by diverting some of the dollars which are in the end-item program in the United States promptly as a first step, and then start to negotiate the use of counterpart to go along with it.

Mr. CHIPPERFIELD. You would not have to negotiate it if Congress made it a condition for our aid, that we have control of them.

Mr. BATT. Ambassador Katz pointed out certain difficulties to you, because this is, after all, a mutual job we are trying to do in Europe. We will all tell you, I think, that it is important that we maintain that element of mutuality.

Chairman RICHARDS. Mr. Battle, do you want to ask a question?

Mr. BATTLE. No questions, Mr. Chairman; but I would like to comment that I think most of us, at least those who were on the Economic Subcommittee that visited these gentlemen not long ago, were very much impressed by the caliber of personnel we had, and figured chiefly that the degree of success that they and we were enjoying was due more to their individual initiative and capacity rather than the organizational procedure that they were working under.

I just wanted to thank them personally, Mr. Chairman, for their kindness and patience in the way they went about helping us to get the information we wanted when we were on this trip.

Chairman RICHARDS. Mr. Vorys.

Mr. VORYS. How much counterpart is there uncommitted?

Ambassador KATZ. I do not know the exact figure. It would be around—

Mr. VORYS. Who knows the exact figure? We tried to get it yesterday. This is July 28. You are talking to a legislative committee. We asked the whole American team. Now we have the whole European team. Can somebody tell us that?

Ambassador KATZ. I will send out and see if we can get it.

Mr. VORYS. I would like to have the team explain about this 400,000 troops for Europe. That is part of the NATO program officially now, but we have never heard of that in this committee.

Chairman RICHARDS. What 400,000 troops—do you have reference to the story in the papers this morning?

Mr. VORYS. That the Secretary of Defense says is in the program.

Chairman RICHARDS. I do not know if any member of this team can tell us about that. What about that, General Kibler?

General KIBLER. Can this be off the record?

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. No questions, Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Mr. Katz, I have checked these two statements of yours and I find only one paragraph from your secret testimony which is not included in the press release.

Ambassador KATZ. That is right. I do not know why they classified the whole thing secret. I guess it is because they are all grouped together. I tried to provide figures which you could use, and I had them checked here.

On the bottom of page 6 and at the top of page 7 there are a couple of sentences which should be classified, so they classified the whole thing secret.

Mr. BATT. They have to, securitywise.

Ambassador KATZ. The unclassified document contains everything except those sentences.

Mr. BATT. Mine won't keep you awake at night, for I have taken all the secret material out of it and it is a confidential document only.

Mrs. BOLTON. Thank you.

Chairman RICHARDS. Mr. Burleson.

Mr. BURLESON. I have no other questions, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. This question is addressed to whoever wants to answer it.

What criteria are being used to determine to what extent the budgets of the European countries will stand the rearmament program?

Ambassador SPOFFORD. I think Mr. Katz can answer that, and others may then want to comment on it.

Ambassador KATZ. We go at it this way: First, I should say directly there really is not any precise calculation prepared. What we do is the following thing: First we take the budget for the country itself, which represents a minimum, and we then calculate various levels of possible increases, what the existing tax load is, and make a practical problem of it as to how much they could increase their tax in the course of the year, given the actual political factual realities. Then we figure how much of a deficit that increased budget would in fact represent. Then we figure what that deficit would mean to the price levels, that is, the inflationary factors with regard to the standard of living within the country.

We then make a judgment as to how much of a cut the standard of living in the country can take as a practical matter, so it is more or less a matter of judgments you run off and is not scientifically accurate or precise, and we would not pretend it was.

Mr. SMITH. Do you do the same thing as far as the United States budget is concerned?

Ambassador KATZ. That is not our job, Mr. Smith.

Mr. SMITH. I know, but do you take into consideration how that affects us?

Ambassador KATZ. We do in this practical sense——

Mr. SMITH. We are certainly furnishing the things the NATO countries need.

Ambassador KATZ. We do in this sense: Our idea is to get as much out of the Europeans as can conceivably be gotten out of them, and to keep to a minimum the United States load, but we do not go into the United States budget itself.

Mr. SMITH. From whom can I get an answer to that question? I want to have an answer as to whether or not we in this country are using the same criteria or the same rules they are using to set up these budgets in the NATO countries, excluding the United States.

Now, in regard to this matter of inflation and the standards of living, have you any suggestions as to how we might approach legislatively this question of the standards of living of the people over there? Also, with regard to inflation. As we get the figures today on the standards of living per capita in those European countries we know that the Marshall plan has not done much to increase their standard of living. There has been some rise, but it has been a slight rise.

Ambassador KATZ. There has been a tremendous rise since 1947, when the Marshall plan started. There was no rise as against prewar.

Mr. SMITH. No. They gave us the figures for 1947. They were in the hearings the other day. I think the figures actually, as applied to France, show that they have gone from about 524 to 560, something like that. That is the change in the over-all picture, it seems to me. It is one of the basic things, it seems to me, that we must consider in this whole rearmament of Europe for this reason: Why should these people be much concerned about getting behind this program if it does not mean anything to them?

A lot of money has been poured into Europe. Who has gotten it? We know it has gone into productive capacity to a great extent. Now, there must be some profits along the line somewhere, but the people are not getting the benefit of that increased productivity.

Is there anything we can do legislatively to correct that situation? Should we say, "We will go along with the program if you do thus and so in order to insure that the French people are going to get the benefit of this increased production"? In other words, what is it that the Frenchman is willing to do in order to get behind this program? What is the incentive, if any, or is it merely an operation, as the Communists now say, to help American imperialism. That is one of great questions I am concerned with.

Ambassador KATZ. There is no question that you are touching upon one of the fundamental problems, which is, how do you change the condition of a large section of the French, Italian, and German population. As a practical matter, I do not think the way to do that is to have the United States Government legislate for France, Italy, and Germany, although I must say it is sometimes doing it.

Mr. SMITH. I do not mean that by any means. We ought not to do that; but here we are pouring out all this money, and I want to know what is there that we can do here in our own Government which would say, conditionwise, "You do thus and so if you want our help"?

Perhaps we are taking the attitude that this is our job and Western Europe is our first line of defense, and notwithstanding all of these other things, we are going to continue to do this job regardless of its effect upon the people as a whole. If this is the case it is strictly a military approach.

It was not my understanding that we had assumed that position. I hope we have not. I can appreciate that perhaps legislatively we cannot do too much along that line, but it is certainly a very great problem and it is time that serious consideration should be given to it.

Ambassador KATZ. I would agree completely with your suggestion, Mr. Smith, that from the practical point of view of the United States' interests in Europe the problem of how to get better results of the nature you are talking about should be treated as a major instance of United States interest. The question of how we get results is a very complicated one. I agree it is something we should give all our attention to in order to see how we get the result.

Mr. BATT. Can I tell you something that interested me, and I think it would interest you, and I have never heard it commented on in any testimony? That is, the cost of equipping an army today compared with the recent period we all know about, in which I was involved up to my neck. Our heaviest bomber in 1941 cost about \$300,000 to build, as you can see when you break that down into terms of tools, man-hours, and raw materials, and so forth. Today our heaviest bomber costs \$4,000,000 to build, and heavier ones are in process of development.

Chairman RICHARDS. That is not due entirely to the cost of materials going up either.

Mr. BATT. No. It is just a bigger and more elaborate piece of equipment. Many fighters then were not equipped with electronic equipment. Today we are trying to equip every fighter with complete electronic equipment.

In 1941 it cost \$145 an hour to operate our heaviest bomber. Today it costs us \$1,000 an hour.

We had a commission that came over to see us about a month ago on ball bearings, which I think some of you understand I was supposed to know something about once upon a time. They came over to see about getting small ball bearings in Europe. I said, "What are they coming over here for? We have plenty of capacity in the United States to deal with anything we have to make." I knew what we had in the last war. That is why I made the statement.

They came over and showed me that the demand for small ball bearings today—and this is classified information——

(Discussion off the record.)

Mr. BATT. I give you that as a more specific answer to your question as to whether production is increasing in Europe. It is substantially increasing. There is no doubt about that, although it is still small, and has to be small, compared to the United States.

Mr. SMITH. May I ask Mr. Batt one more question in connection with this matter of production? If we are aiming at a 1954 target date for European self-sufficiency, will the other countries then be able to take care of their own production by that time?

Mr. BATT. I tried to cover that, but I did not do it specifically enough, I know. In connection with spare parts, small arms and small-arms ammunition I tried to make it clear that in that field they have capacity. It is not being used. It is in order to get that capacity activated that we are proposing to take up offshore procurement by one device or another along the line indicated by Mr. Chipfield.

They have the capacity generally to keep this thing going once it is set up. Do you agree with that statement, Frank?

General KIBLER. Yes.

Ambassador KATZ. That would be to this extent: There are some things they would not be able to make themselves, and we would hope by 1954 they would be able to buy those.

Mr. BATT. I made it perfectly clear they could not make heavy bombers or heavy artillery.

Chairman RICHARDS. Are you through, Mr. Smith?

Mr. SMITH. Yes.

Chairman RICHARDS. Mr. Mansfield.

Mr. MANSFIELD. We are all delighted that we are having this opportunity to meet with you again and to carry on the conferences we had while in Europe last month.

Ambassador Spofford, I was very pleased that you brought out the fact that neutralism as a political force this year is practically dead. It was quite prevalent a year ago, especially prior to Korea.

That indicates, of course, that there is a sharp cleavage now and the middle group has evidently come over more to our side.

You also emphasized that communism is something which we could not take too lightly, I recall. In talking with General Eisenhower he mentioned the fact that in this military program we cannot afford to go too far, because if we did then the standard of living would be depressed still more and the result would be just the opposite of what we are trying to achieve at the proper time.

Is it a true statement of fact that on the basis of this relatively small increase in the standard of living in certain of these European countries, at least France and Italy, that it may be considered one of the reasons why the Communist Party of both those countries is still able to poll a tremendously strong popular vote?

Ambassador Spofford. I could answer that, Mr. Mansfield. I think that is true. I think you are dealing there with something that goes pretty far back. I think it has been a problem of distribution of wealth in the broad sense in France and Italy, and I think the fact is that there is too large a proportion of the population in France and Italy that does not have a sufficient say in the present order of things.

I think the Communist vote is a protest vote against that.

I cannot be too precise about this, but I think a large part of it is not a vote in favor of the Soviet, but a vote against the present system. I say that is a condition that is not created by this defense effort. That has been in the picture for a long time.

I think what General Eisenhower said is that we all believe if you go too far, too fast, then you may recreate the condition which the European Recovery Program met. That involves the balance between getting the maximum in terms of results that go into the essentially nonproductive job of setting up a defense machine and increasing and not decreasing the standard of living in certain of these key segments of the population, such as the labor groups, for the most part. You try to do that so that you certainly do not increase the Communists, who are, as I say, not basically loyal to the present system. You certainly do not increase them, and you tend as far as you can to decrease them.

Mr. MANSFIELD. Evidently there has been some increase in the economic structure as it affects the ordinary people in France, because I understand that the election returns there indicate that on a popular basis the Communists polled 500,000 less than they did in the last election.

However, it does appear to me that while there is a great deal of hope in Europe at the present time, based on military strength, either actual or potential, that the weak spot in our endeavors is the fact that the program has not reached down to the little people sufficiently strong enough to give them a comparable degree of hope in that particular field.

In other words, as Mr. Smith said, the standard of living is a very potent factor, and it does appear that even with the judicious application of Marshall plan aid funds—which I fully approve of—there is still that weak factor to consider.

I wonder what could be done to bring about a further increase in the standard of living of these people in the NATO countries and thus to help draw them away from voting Communist at the polls?

Ambassador SPOFFORD. You have an immediate question that is before you when you talk about a further increase. You have this very serious price rise in Europe that you have had all over the world. I think the figures show that the wholesale prices have gone up in the past year from 20 to 40 percent, or an average of around 30 percent, I believe, as against the figure—and Mr. Katz will correct me if I am wrong—of about 16 percent here.

So that increase in the prices is a factor that you have to arrest. Then you have to go to work on the difficult process of raising the standard of living at the same time that you are putting an increased slice of the resources into defense.

The economic-aid program, of course, ties in with that, and I would like to have Ambassador Katz comment on this question, if he will.

Mr. MANSFIELD. Mr. Spofford, it is your assumption then that if it had not been for the inflation which is now taking place there, that very likely there would have been a sizable increase in the standard of living for the people of Europe?

Ambassador SPOFFORD. It has been on the way up.

Mr. MANSFIELD. It is a slow process anyway, at best.

Ambassador SPOFFORD. It is a slow process. I think the price rises of the last year have affected it in a serious way. They may have accounted for some of these election results.

Mr. MANSFIELD. Mr. Spofford, I want to ask you a question.

You mentioned patents. Will you explain to this committee just what the significance of patents is in the aid program now being carried on by this country for Europe?

Ambassador SPOFFORD. Patents?

Mr. MANSFIELD. Patents.

Ambassador SPOFFORD. I think it was Mr. Batt who mentioned it, but I will just answer the question this way and ask him to give you a comment on it also.

The production problem abroad involves not only patents, licenses, and designs, but you have a number of extremely difficult legal problems where patents are held by manufacturers here and it is difficult to get them released for manufacture abroad. It is a question we have been working on, but I think it has not been marked with much success today. It is a real drag on the production program abroad. Bill, that is in your class.

Mr. BATT. That is a satisfactory answer.

Mr. COOLIDGE. Mr. Chairman, might I put in there that this draft bill contains a provision which you will hear some testimony on, which is designed to relieve that situation.

Mr. MANSFIELD. I see. I know Mr. Ooms is going to be before the committee on Monday.

Mr. COOLIDGE. Yes. He is the man who will testify on this.

Mr. MANSFIELD. Mr. Batt, are we shipping trucks and jeeps to the NATO countries at the present time?

Mr. BATT. I expect we are. I will turn to General Kibler to answer that. It is part of the end-item aid program.

General KIBLER. We have in the past.

Mr. MANSFIELD. Is it possible for those European countries to build the trucks and jeeps necessary for their efforts?

General KIBLER. Not in the time required. Not in the time to correspond with the defense plans.

Mr. MANSFIELD. I can understand why it is impossible for them to build planes because of the tremendous time lag of 18 months to 2 years which is involved. However, it appears to me that with this oversupply of labor in a country like Italy, for example, and with their knowledge of making automobiles—and the same could be applied to France, I think—that is one item we would not have to build here for export abroad, and they could build themselves there out of their own funds.

Mr. BATT. You are absolutely right in theory, Mr. Mansfield, but I said the limitation to the situation on a good deal of this capacity was that their budgets are not big enough to produce the extra things like trucks or jeeps, which they regard as rather short-lead, and so do we. They regard them as short-lead-time items. When they break down their budget and decide how they are going to spend it, first they will put the long-lead items in there, as they should, and get those started. Then they will take the things which are most critical to the equipping of a force.

Then they will let those things, such as transport vehicles, wait. The British have not worried very much about it because they say, "If we really get in trouble we can requisition trucks out of our civilian economy." That does not apply to jeeps, of course.

We have been trying to get a jeep program started.

(Discussion off the record.)

Mr. BATT. When our military associates send troops there and they need some jeeps to make those troops effective they are for the present time sending them over.

However, we surely contemplate that capacity should be made available for the kind of thing they can make. They can make jeeps and ordinary commercial vehicles for back-up purposes in the quantities they need, in time.

Mr. MANSFIELD. Mr. Batt, what I had in mind was, that I believe there is unused automobile capacity in both France and Italy. Those countries have a very good automotive record over the years.

Mr. BATT. You are quite right.

Mr. MANSFIELD. Here we are building jeeps, for example, at great expense, and shipping them, when the same thing could be done over there more cheaply, even if we had to pay for them over there.

Mr. BATT. All right. Now you are going to off-shore purchasing. That is another matter. We could have had jeep production going today in Europe if it had been agreed that the starting of it with American dollars at that time was wise.

Mr. MANSFIELD. Could you use counterpart funds for that purpose?

Mr. BATT. Of course, Mr. Chipperfield raises that question. We cannot legally today. We hope you will make it possible for us to.

Ambassador KATZ. May I throw two cautions in on that? The first, Mr. Mansfield, is on the question of cost. When you get items like automotive equipment, the techniques and the volume involved in mass production are so important that actually it would probably cost you more even if you used American dollars to buy the truck in northern Italy or northern France, than it would in Detroit. We simply make them cheaper because of the production process and the great volume of production.

Mr. MANSFIELD. The difference is between the cost of producing the vehicles by mass production here with high labor costs and producing them there with a low cost of labor.

Ambassador KATZ. When it comes to that type of hardware the efficiency of American industry more than compensates for the low wages.

Mr. VORIS. Will the gentleman yield?

(Discussion off the record.)

Mr. MANSFIELD. What I had in mind, John, was not new facilities, but making use of available facilities and thinking of the fine automotive history both these countries have had over the years.

That is all, Mr. Chairman.

Mr. BATT. May I just make a statement off the record?

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Mr. MANSFIELD. According to Mr. Katz, to do it on that basis would do more in the long run than it would over here.

Mr. BATT. He told you, Mr. Mansfield, that he was generalizing. There are instances and there are things that you can make somewhat cheaper over there. When you get to transport vehicles, that is an exception. It actually costs more for a truck in France or Italy than it costs for a truck from the United States.

Mrs. BOLTON. Including transportation?

Mr. BATT. That is not very much, Mrs. Bolton. I talked within the last 2 weeks to Canada's head of Willys-Overland about the cost of jeep production in Europe. In spite of this shortage in their real wage levels he says it is about a toss-up.

Ambassador KATZ. One reason why the recommendation to which Mr. Batt referred before is concentrated on spare parts and ammunition in Europe is that it depends on several factors.

One, we want to utilize European capacity.

Two, certain types of hardware are made more cheaply at home.

Three, certain types of production for security reasons we want to keep only in security areas.

Four, we want these countries to be self-sufficient after 1954.

Five, from the supply end of it they want to have the supply line for the maintenance and operation of an army there.

Putting them together we have come to the conclusion and recommended that the best net result is to utilize European capacity, that is, to provide American financing to utilize European capacity, concentrating on spare parts and ammunition.

If you do that you have as good a balance of all the factors as you can possibly have, and that is what we are really shooting for now.

Mr. BATT. You can add a sixth one to that, that in those particular things the efficiency of American manufacture is not so much relatively greater than that of Europe because it is not a peacetime thing which we are accustomed to producing in large quantity. There is sure to be an advantage in ammunition, I think, and in many spare parts.

Chairman RICHARDS. Would spare parts and ammunition amount to one-fifth of that?

Mr. BATT. Off the record, if I may?

Chairman RICHARDS. Off the record.

(Discussion off the record.)

Ambassador STOFFORD. Let me add a factor No. 7 to the six that Mr. Batt and Ambassador Katz put on the record. That is the very strong pressure of national pride of some of the countries to manufacture equipment for themselves, and sometimes it is equipment that economically they should not manufacture. That may be at their own expense.

For example, the French want to put more money than they should into certain types of armament because they would like to see France develop French weapons. Economically it would be better for them to put those resources into spare parts, but it is hard to convince them of that.

Chairman RICHARDS. That is one of your jobs.

Ambassador STOFFORD. Yes. I just wanted to add that seventh factor.

Mrs. BOLTON. Do they use women in the factories in France?

Mr. BATT. Oh, yes. In England it is about the same as we do.

Mrs. BOLTON. I know about England. It is about the same as with us?

Mr. BATT. Yes. I would think so on a rough guess. You do not see much difference.

Chairman RICHARDS. Before we go any further I would like to take up this suggestion of Mr. Vorys. I do not know if General Scott will make a statement about the 400,000 troops which are proposed to be sent to Europe and give us any information he has from headquarters. Do you want to do that, General Scott?

General SCOTT. I have been in touch with Secretary Marshall's office by telephone. He said he would furnish to the committee early next week a clarification of that 400,000 figure for troops in Europe if the committee desired it.

Chairman RICHARDS. Does that help you any, or not?

Mr. VORYS. I would like this on the record, because I am reading from what will be the public record of this committee on July 19.

I asked General Collins about this matter and I quoted Senator Green, who on February 19 said:

Up to the present time under the conditions as you see them now and believe you can reasonably forecast them, six divisions will do the trick?

General Collins answered:

Under the present world conditions, yes, sir.

I said to General Collins:

I want to ask you whether your answer would still be the same to that question.

General Collins answered:

Yea. Essentially the same.

Mr. CHIPERFIELD. What date was that?

Mr. VORYS. That was July 19.

General SCOTT. That is correct.

Mr. VORYS. Now, as to the divisional slice and all that sort of stuff, to which reference was made in the six-division discussion, General Bradley said the following for the Senate. This is public testimony, so I can read it:

Senator JOHNSON of Texas. But if you were making an estimate on your present plans based on four divisions and the men required to support them, your estimate would be 100,000?

General BRADLEY. The estimate would be approximately 100,000.

So that at the time of the Senate hearings it was roughly 100,000.

Chairman RICHARDS. What hearings are you talking about?

Mr. VORYS. The Senate hearings on the assignment of ground forces in European areas.

Chairman RICHARDS. You are not talking about this bill?

Mr. VORYS. It certainly has to do with this bill.

Chairman RICHARDS. I mean, the testimony was not in consideration of this particular bill over there?

Mr. VORYS. Yes. I quoted what General Collins said on July 19 to this committee.

Chairman RICHARDS. That is pertinent. It is in the record.

Mr. MANSFIELD. Will you please read that again as to what General Collins said? The reason I asked that is because there is a doubt in my mind as to just what the meaning of that is going to be.

Mr. VORYS. I will read it a little more fully. The question was asked him by Senator Green, as follows:

Senator GREEN. Up to the present time, under the conditions as you see them now and believe you can reasonably forecast them, six divisions will do the trick?

General COLLINS. Under the present world conditions, yes, sir.

That was the question of Senator Green. Then I said to him:

I want to ask you whether your answer would still be the same to that question?

General COLLINS. Yes. Essentially the same. Now, practically, it does not mean if world conditions change you would be necessarily limited to six divisions.

Skipping down again, he said:

However, if world conditions change, they might not be. You asked me if it would still be the case now. I said essentially the same. Yes.

I want to know if world conditions have changed in 9 days?

Mr. MANSFIELD. That 100,000 figure is what I am after, Mr. Vorys.

Chairman RICHARDS. Yes. That is what Senator Johnson was questioning on.

Mr. VORYS. On Senator Johnson's questions, it went as follows:

Senator JOHNSON of Texas. General Bradley, what is the approximate estimated size of our Armed Forces now in the European area?

General BRADLEY. Approximately 100,000. Ground troops, you are talking about?

Senator JOHNSON of Texas. Yes.

General BRADLEY. Approximately 100,000.

Senator JOHNSON of Texas. In your opinion, will 100,000 men be sufficient to supply the four divisions planned and the support necessary?

General BRADLEY. It will be an approximate figure. The question of supporting units is one which will have to be worked out by General Eisenhower and his staff. It may be that some of the units which we normally supply for our own integrated forces might be supplied by someone else in Europe.

Senator JOHNSON of Texas. But that is an approximate figure?

General BRADLEY. That is only an approximate figure, and I hate to use this division since because it has so many meanings.

Chairman RICHARDS. According to that ratio the 400,000 figure would be 16 divisions.

Mr. VORYS. According to that ratio 100,000 would be four divisions more to make up the six that was contemplated in the Senate hearings. That is what I was interrogating General Collins about. That was 200,000 men. Today we have a figure just double that.

General SCOTT. The Air Force is not included in your 200,000 figure.

General KIBLER. The 400,000 figure probably includes Air Force and Navy.

Chairman RICHARDS. Do you have anything to say on that while we are on it, General Scott?

Mr. MANSFIELD. Before the general says anything I want to explain why I raised the question. To me it does not seem to be accurate on the face of it because how can you have six divisions of 18 to 20,000 men to a division and expect to get by with 200,000 men, when you figure that the men in the divisions alone would be 110 to 120,000. That would mean you would have a back-up of less than one man for each man in a combat division.

Mr. VORYS. I am not a general.

Mr. MANSFIELD. I am not either.

Mr. VORYS. I am just reading what generals were saying.

I also think that to have the answers to all of our questions put off to the future, as of July 28, presents some difficulties, because we have to decide what these answers are.

Chairman RICHARDS. Let us hear what General Scott has to say about it.

General SCOTT. The only point I want to bring out is that there has been no change, sir, in any testimony of General Collins or General Marshall on that number of six divisions. Apparently the question is the support for those divisions and the numbers required for the other services.

I think that can be clarified in the statement that will be submitted by the Secretary.

Chairman RICHARDS. All right. Mr. Hays.

Mr. HAYS. Mr. Batt, this material, of course, comes to us in such volume that we cannot absorb it all, so if my question appears elementary you will understand.

(Discussion off the record.)

Mr. HAYS. This is on the record.

As I understand it, in the light of the things that Mr. Bissell had to say about the import-export equation, the whole idea of economic aid is to secure productiveness. I mean, it has actual production for military purposes as the objective.

Mr. BATT. Or military support. Something that directly supports the rearmament strength of the country.

Mr. HAYS. But it is that direct. It is not a vague directive affecting economic stability.

Mr. BATT. No. It is awfully hard to draw a line. I live in the middle of it and half the time I do not know what they are talking about, but I do know that a power plant in the neighborhood for a gun plant is direct armament supporting. There is no doubt about that. When you get to a power plant for a community, of which the armament plant may be only a part, then the thing gets a little hazy.

Mr. HAYS. Yes.

Mr. BATT. But we are trying in the use of this aid for this year to see as nearly as may be possible, that it is related to rearmament or something that is aiding rearmament.

In other words, there are some exceptions in some of the countries like Greece, for instance, that I do not know anything about. But generally in these NATO countries we are trying to see that this money is funneled into the direction that will immediately assist their rearmament.

There is no philanthropic approach to it. Does that meet your point?

Mr. HAYS. Yes, it does exactly; I think there is considerable logic in the economic items. I am not talking about the \$1,673,000,000, but of other items in this bill that are related to defense, such as technical assistance, for example.

Mr. BATT. That is very directly related to rearmament.

Mr. HAYS. Yes. I mean, there is not anything too hazy or too vague about that activity.

Mr. BATT. No. There is nothing philanthropic about that at all. That is very immediate. If you can raise the productive efficiency of a country, while some of that will, of course, go into other things than rearmament, the important byproduct is that your rearmament efficiency is substantially improved.

You take Great Britain. I think there is a sort of revolution going on there. They have increased their productivity or productive efficiency relatively more than any country in the world in the last 4 years. They have been running about 8 percent a year, and that is a big figure. They realize they have fallen hopelessly behind in competition with the rest of the world.

Anyone who wanted to go to Europe and study this particular question I think would be amazed at the enormous difference between the efficiency in Europe and the efficiency in the United States. Any American ought to be very proud of it and ought to be quite sure that he understands where it comes from, and that he does not do anything to hurt it.

These teams we are sending over in the case of Great Britain, that is, the Anglo-American Council on Productivity, are all coming back with the same story. The teams, incidentally, are made up of management and labor. They come back with the same story. They could almost write their report before they leave. They say that production in the United States is two or three times what it is in our particular industry, and these are the reasons why it is. There is a whole host of such reasons. It is no single thing.

It is a matter of education. I would submit if you look at it over a 10-year period you could not use money any better than to change the kind of education they have in most of the countries in Europe, because they are not directed toward increasing the production of things for people. Generally, the people cannot buy the things over

there that they make, and that is the basis for the success of the United States.

Mr. HAYS. That is not only true of industry, but it is true of agriculture. France, for example, has nothing that is comparable to our extension service.

Mr. BARR. No.

Mr. HAYS. Which takes research results and makes them available for general use.

Mr. BARR. Great Britain is the only country in Europe that has, and they are behind us. We have a team over here right now, or if it is not here now it will be in the next month, which is studying the extension service and utilization of the agricultural extension service by American land-grant colleges.

Mr. HAYS. I share some of Mr. Smith's fears about the inequitable distribution of the increased income. I do not know whether you would say gross national product or national income.

Mr. BARR. Your increased national income would be a proper expression, I think.

Mr. HAYS. Yes. But the distribution of it is what bothers me, so that in terms of economic and social conditions you get a more favorable situation.

I judge from your answer that you have shared that fear that not enough has been done in that respect, perhaps.

Mr. BARR. That is right. We understand that situation, Mr. Hays, but we cannot force it. It is the result of hundreds of years. It is a smart Frenchman—and I think Mr. Katz will bear me out on this—it is a smart Frenchman who can raise his prices and cut his wages at the same time. There is a philosophy of management in Europe that is totally different from that which exists in this country.

There are people over there, however, who are beginning to see that they need to have larger markets in order to sustain a larger production, and thus a larger distribution. There are a few people who are doing that, but the matter of price maintenance is not illegal in Europe. That is about the only thing they do get together on, and they get together on that regularly.

Mr. MANSFIELD. Will the gentleman yield?

Mr. HAYS. I yield.

Mr. MANSFIELD. Speaking of a smart Frenchman, I remember not so long ago a smart Frenchman who came to this country and found out how he could increase his productivity and sell his shoes—in this instance he was a shoe manufacturer—for less, and pay his workers more. He got by for a month or two and then the rest of the shoe manufacturers began to make trouble for him, and he was frozen out and could not get credit. He had to go back to the old system.

Mr. BARR. I can understand that. I said to an American distributor who has a big business here and a good reputation for low prices and a substantial plant in Great Britain, "What are your costs over here compared to the United States?" He said, "They are far less than the United States actually." I said, "What are you doing on selling prices?" He said, "I am selling the same as the British market. I could not live over here if I did not."

That is a practical consideration grown men will understand. It will break down in time, and I think it is beginning to break down, but there is no law over there which governs people and keeps them

from getting together and fixing a price. It is considered a fair thing to do that.

Mr. CARNAHAN. Will the gentleman yield for an interruption along that line?

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. If we are going to place rather big orders for spare parts and ammunition, such orders are certainly going to be an economic problem in the particular area where those parts are going to be made. Are these orders well enough distributed over the different European countries so that we will not get into quite a misunderstanding because of the fact that one country is getting practically all of the orders, and another one is not getting any?

Mr. BATT. We will put this up to the Defense Production Board and ask them for their recommendation and advice, and we will get out of the Defense Production Board and its international staff, headed by a very capable American, W. R. Herod, who is on leave as president of the International General Electric—we will get out of that staff and the action of the Board, a recommendation for the distribution of that business. We do not have to follow it, of course, but I hope that we will. Then the heat will be taken off the United States for having placed orders in this country in this amount.

Mr. CARNAHAN. Are we not running the risk of throwing the whole European economy out of balance by concentration of such orders? Is it your opinion the orders will be fairly well distributed, or will they be concentrated in certain centers?

Mr. BATT. They should be fairly distributed.

Ambassador KATZ. They will be mostly in three countries—France, Italy, and Belgium.

Mr. BATT. That is right. France will get the largest bulk of them because there is the manufacturing know-how and the idle capacity and a big deficiency there. France is supplying a larger number of men than she is able to supply equipment to support.

Ambassador KATZ. You see, Mr. Carnahan, on your distribution of capacity—and I am talking now of theoretical capacity, as to what the British could make—assuming the labor and materials and financing was there, Britain could roughly do one-seventh of what the United States can do, France one-twelfth, and Italy one-seventeenth, and all the others put together one-twentieth.

So, obviously if you are giving out the orders you place them in accordance with the capacity there, so that you have the program filled. However, you have to watch that from the political viewpoint of what the results will be.

Mr. BATT. We have nine teams who have covered these areas and reported on combat aircraft, small arms and ammunition, artillery, electronics, transport vehicles, combat vehicles, engineering equipment, and so forth. That has been an international study made by this Board, which is international in character. So, we have already gotten a good foundation on which we have begun to rely, because each of the countries has reviewed these reports, and we have their comments; so, we know and have an agreed position on the capacity of each of these countries for each of these things. It will not be difficult to get them under way.

Chairman RICHARDS. Mr. Batt, Mr. Hays has not had his time yet, and I wanted to get along with him.

Mr. HAYS. Yes. As I get it then, the problem is partly a long-range problem. Admittedly, these things must have attention, but not immediately at the expense of a production program.

That is a sound generalization; is it not?

Mr. BATT. I would agree with that.

Mr. HAYS. Again, it is partly to be directed to specific countries and not the whole of Western Europe, as you brought out with your reference to Britain. What you say, for example, with respect to a lag in France would not apply to Belgium, perhaps?

Mr. BATT. There is some idle capacity in Belgium. If you are asking whether Belgium is using as large a percentage of her national production for rearmament as France, I would say that the actual deliveries from Belgium today are larger than those coming from France, but the planned utilization of the budget in France is somewhat ahead of Belgium.

Am I correct in that?

Ambassador KATZ. That is correct.

Mr. HAYS. I understand at the end of the war we had a debit figure with Belgium. We owed Belgium money, in other words.

Mr. BATT. That is right. That is because of the materials we bought out of the Belgian Congo during the war.

Mr. HAYS. That was the Congo production?

Mr. BATT. Yes. Solely that.

Mr. HAYS. On the political side, in Italy, for example, you have a situation that is not general, but a specific political problem? You can hardly quote election results as a test either.

I asked a previous witness why we lost ground in Sicily. The Communists gained in Sicily. They generally lost in Italy, but why did they gain in Sicily?

The report I had was that primarily there was a failure to reach the people there with the story. We have that problem to consider, because actually Sicily should be favorable to the democratic elements in the light of what the democratic nations through the Marshall plan and otherwise have done for them.

Mr. BATT. The chairman told you this is a team, Mr. Hays, and that is not my part of the ball team.

Mr. HAYS. Mr. Ambassador, what about that?

Ambassador SPOFFORD. Referring to Sicily particularly, I think that that is probably a good example of a part of the world where your average voter just does not see enough in it for him. After all, in Sicily there are probably no floors, and the standard of living of the Sicilian peasant is very low, and when he gets this story he is apt to say, "Well, I have been living this way for a couple of thousand years. I do not see anything in it for me one way or another, but I do not like the present system, and I am going to vote against it."

The Communists have capitalized on the feeling of general protest. The Sicilian peasant has about the lowest standard of living, I suppose, of any population group in the whole NATO set-up. I think probably that is why we lost ground there.

Mr. HAYS. I have been pondering the things Mr. Smith is bringing out, and I think it is useful in this discussion. I am simply trying to simplify our problem by expressing my own thoughts about it and inviting comment. My purpose is to distinguish between the

immediate problem and the long-range problem. Certainly we have got to do that.

It seems to me we have to take care that we do not act against our own national interests respecting maximum production simply because there are these irritating problems which we seem to be unable to do anything about. That is the purpose of my question.

Ambassador SPORRORD. I would agree with that analysis and agree with your point of view on it.

Mr. HAYS. I would certainly agree with what Mr. Batt says, that in some cases, after all, it comes very close to being outside our province as a nation. To some extent that is true, too, and that poses a very difficult question for the Congress, because if we are going into an expensive program for the American taxpayers and yet meet frustration because we find the essential difficulties outside our province, then there is some logic in the negative attitude.

Ambassador KATZ. May I make a comment on that?

Mr. HAYS. Yes.

Ambassador KATZ. We are trying to hold Western Europe, and it is under attack by the Soviet Union. That attack follows a number of different channels. I know military officers speak to us about a military plan with a balanced defense, in which Army, Navy, and Air Force are balanced with one another. The Soviet Union has carried its attack way beyond that. They attack production through labor unions, and create economic dislocations and fear. They resort to economic warfare and blockade, like the blockade of Berlin. They resort to guerrilla warfare in Greece. There is no form of device they have not used in attempting to subjugate this continent.

Our job, however, is to hold Western Europe with the aid of the people there. When you are fighting a fight, you try to get realistic military intelligence. What is the fight we are fighting? The realistic military intelligence tells us this about this battlefield:

Right in the middle of the battlefield is France, Germany, and Italy. The people we have to work there with at this time happen to have unstable governments, and to be a confused and divided people. When you get unfavorable battlefield intelligence in an area in which you have to win, you do not say that that is a reason for turning tail and leaving the battlefield. Neither do you say, "I am not going to believe that evidence because I do not like it." What you do is say that is what the situation is, and you ask yourself what you can do about it.

Now, what you can do about it is a very complicated thing.

You fellows know more about politics than any of us. The disappointing vote in Sicily is not due to any one item, but it is due to many things. It is due to many complicated factors. One of the things I will mention is this: The Communists have a highly organized apparatus. I happen to believe you could raise the standard of living in Italy and France to that of the United States and you would still have a Communist problem. It will help a great deal, but you would still have the problem.

There is another part of the job, which is that of beating them at their own game. Take the United States. To a great extent the Communists had infiltrated into the United Electrical Workers Union. What did it mean to eliminate them? It meant we had to fight plant by plant, local by local, and city by city, a dirty, slugging fight, union

by union. That had to be done despite the standard of living in the United States.

So, it is very dangerous to oversimplify this thing. What we have to do from our point of view is to take this area and take the facts, whether we like them or not, and try to change the facts.

Mr. Hays. That is very helpful to me.

I have taken longer than I should, Mr. Chairman, but if I might intrude with one other question I would appreciate it.

Mr. Batt, you said lower wages are offset in cost factors by improved technology in America in many instances.

Mr. BATT. Yes.

Mr. Hays. We want to know before this record is finally completed just what the policies are with reference to determining the items that should be made in Europe and the items that should be made here—at least, we want to have assurance that there are logical formulas used in determining that. We were told, for example, that a bazooka could be made in Europe at one-fifth the cost in America. That was an illustration. I am pretty sure those references were made.

You do find, do you not, with regard to some of these items, that they ought to be made over there?

Mr. BATT. Yes. That is right, Mr. Hays. We work very carefully through the ECA missions in a country, and the MAAG missions, and then through JAMAAG, which is the over-all control of the MAAG missions, and OSR, which is the over-all control of the ECA missions, to bring into the Defense Production Board, of which I am the American member, the best judgments we can get as to the capacities of each of these countries for each of these things.

There is nothing haphazard about that. As I said in the beginning, we start with the knowledge that some of this equipment, which is long-term, ought to be ordered first, even if there is little to show for it in the way of finished production for some time. Then we start with the knowledge that some of this equipment cannot well be manufactured over there.

I would like to say this off the record.

(Discussion off the record.)

Mr. BATT. On the record. We are up against a problem there which you all ought to recognize. We cannot make a commitment to the armies of Europe as to what we are prepared to do for them next year or the year after.

Therefore, the generals, or those responsible for the military direction in the country, will say to us, "All right. We will agree not to make any 50-ton tanks, provided you will agree to furnish us with the heavy tanks 4 years from now." Now, you know we cannot make any such commitment.

They say to us, "You expect us to leave our armies improperly balanced as to equipment and dependent on the good nature of the United States." They will say, "No. We cannot buy that." Therefore, we are under that pressure when we say to them that they should not make a particular thing.

Is that clear?

Mr. Hays. Yes, indeed. Thank you very much.

Mr. CHIPERFIELD. This can be off the record.

(Discussion off the record.)

Chairman RICHARDS. I have two questions. One of them is how tight these figures are on economic aid. You know, people are talking about making it a 2-year program instead of a 1-year program, which means splitting it in half.

The other question is, How about a new organization to handle this thing instead of depending on you gentlemen, even though you love to get together and your personalities do not clash, and you have done a good job. However, why not put all of this under one organization, except for end-items that you have to have from the United States?

What do you think about that? I wish somebody would answer those two questions in just 5 minutes. I mean, each one of them in 5 minutes.

Ambassador KATZ. Do you want me to do that, Mr. Chairman?

Chairman RICHARDS. No. I want whoever wants to to answer the military and economic side of it. I am not talking about the political aspect of it at all, but of the business of operating the program.

Mr. CHIPERFIELD. I might call attention to the fact that Mr. Nelson Rockefeller has advocated one organization.

Chairman RICHARDS. That is right; and a great many other witnesses have testified it could be done, such as Mr. Foster and Mr. Bissell.

Mrs. BOLTON. Would the military accept procurement by the civilians?

Chairman RICHARDS. That is the question I brought up. End items could come from our own production. What you would do with that is another question which, of course, you are not involved in.

From the economic standpoint, I would like to have you tell me about that.

Ambassador KATZ. Do you want me to answer the economic organization question first?

Chairman RICHARDS. Yes. That is right.

Ambassador KATZ. May I speak personally on this, Mr. Richards?

Chairman RICHARDS. Yes.

Ambassador KATZ. This is my personal view, sir.

Chairman RICHARDS. You mean you want it off the record?

Ambassador KATZ. No. I want to explain it.

Chairman RICHARDS. I want your personal opinion.

Ambassador KATZ. It is a view which is based on the limited view of this thing I have had in Europe. There may be all sorts of questions back here I do not know anything about. It is my judgment that a separate organization can administer the economic aid and can administer the military aid subject to certain limitations.

Chairman RICHARDS. On point 2, or scientific aid, I mean, because you are not a specialist on point 4.

Ambassador KATZ. I was going to say the economic aid. I think actually the military assistance and economic assistance could be and should be put within one organization.

Having said that, I would say that in the case of the military end-product assistance it is necessary to handle it in such a way that the Defense Establishment retains responsibility for two primary functions:

First, they have to determine the military requirements. Is this thing really needed?

Secondly, they have to do the actual procurement and handle the physical process of delivery to get the weapons to the forces to which they have been assigned.

Chairman RICHARDS. They do that now.

Ambassador KATZ. Yes. But having said that, I think the military and economic aid could better be administered within a single organization.

I would like to add to that two other facts. As I said to you in Europe, I believe profoundly any aid program should have a definite terminal date and you should not embark upon any indefinite aid program. Maybe you will miscalculate on your terminal date. That is another matter, but I think you should make the best calculation you can of the period within which you ought to get the results, and fix the terminal date, and from that time forward operate against that terminal date.

I would suggest if you set up a separate agency to handle both these things, you should not in the process forget the importance of the terminal date in an aid program.

There is the other thing, which has been brought out by some witnesses, and that is the need to make sure that in the administration of such a program your operation should be harmonized with other foreign-policy objectives of the United States, so as to maintain in substance and practical terms a unified position.

Chairman RICHARDS. If that can be done under the present set-up it can be done under that.

Ambassador KATZ. I happen to believe it can be. In fact, I happen to believe it will be better actually—and this is not in my business, but I am speaking personally—I happen to believe it will be better even from the point of view of the political arm to have it relieved of the day-to-day operating responsibility. That happens to be my point of view, subject to those considerations.

Chairman RICHARDS. You say you have no ax to grind, and as I understand it, you have already resigned. Is that right?

Ambassador KATZ. That is right.

Chairman RICHARDS. And you are not hunting a job?

Ambassador KATZ. No; I am not hunting a job.

Chairman RICHARDS. I wanted that in the record.

Ambassador KATZ. On the tightness of the figures, as I said, no one can pretend these figures are scientifically accurate.

However, I believe this: If you look at the total future requirements of the situation, on any estimate of European availabilities and in any estimate of United States assistance as matters now stand there is a very substantial gap between what you ideally ought to have and what is now projected on the basis of present United States aid levels, and any estimate of European capacity.

I want to emphasize that point, because even if you could get significantly increased European production you would still have a substantial gap.

We have made an estimate of how much higher the Europeans ought to be than they are now, and in terms of physical hardware, which is just as good a practical measure as any, we have estimated they could make in the fiscal year 1952 another billion dollars' worth of hardware. Even if we are wrong, it will only be \$600,000,000 or \$700,000,000 worth of hardware.

The point I want to stress is if we are wrong on that calculation the error is from \$600,000,000 or \$700,000,000, as compared to \$1,000,000,000, or roughly \$200,000,000 or \$300,000,000 worth of hardware. The gap between what we are getting and what we would like to have is very much larger than that.

So I would like to say, Mr. Chairman, even if you trim your military requirements down to an austerity basis, and even if you conduct your military build-up on the most austere basis you can, and even if you get out of these Europeans everything you can get out of them, the aid figures which are projected in this bill and which we are discussing would be probably less than we ought to have ideally.

That does not mean that we should ask for more. In the first place, I think if we did ask for more dollars we would probably not be able to spend them very effectively with the present state of materials in the world. In the second place—and this factor is present here, as in everything else—you make a balanced judgment and consider the effect on the American budget and the American economy. But, speaking for myself, my conscience is completely clear. I believe this is an expenditure which is fully warranted on the basis of a conservative and hard-boiled estimate.

Mr. CHIPERFIELD. Every witness who has been before us talked about the impact on the European countries.

Ambassador KATZ. Yes.

Mr. CHIPERFIELD. We have not had any witness who has talked about the impact on the United States economy.

What consideration have you given to that?

Ambassador KATZ. Of course, in my official capacity I have tried to mind my own business, Mr. Chipersfield. I would not conceal from you, however, that as a citizen that thought sometimes crosses my mind. But may I answer that in the most direct and concrete way I can possibly answer it?

Here is the way I have tried to answer this to myself: There are about 30,000,000 taxpayers in the United States. You take the cost of this whole program—the economic part of it, let us say, is \$1,500,000,000. I will start with that. That means that comes to roughly \$1,500,000,000 into which you divide 30,000,000 taxpayers, which gives you a cost of roughly—

Mr. CHIPERFIELD. It comes to \$56.20 for every man, woman, and child in the United States.

Ambassador KATZ. Let us take the \$56.20 and let us say for those of us at this table we happen to be in an income-tax bracket which would not be \$56. My share might be \$500. Putting it to myself as M. Katz, individually, and M. Katz, United States citizen, I ask myself whether, as between spending \$500 for what this bill gives the United States of America, and spending \$500 on anything else I, or even my wife can think of, would I rather spend that money on one or the other? As far as I am concerned, I would rather spend the \$500 this way.

Mr. CHIPERFIELD. I would too, but what about the economy itself? We will have to have a financial structure that is strong. We cannot break ourselves.

Ambassador KATZ. I completely agree with you. I think it has to be taken into account.

However, Mr. Chipperfield, everyone talks about armament as a diversion from economic progress, and everyone spends his time talking about the question as to whether bread and guns are compatible or not.

I want to go a little further. I want to say to you over any period of time, or let us take a 10-year period, that guns and bread are not only compatible, but you just are not going to have the bread without the guns.

May I be specific? Will you please go off the record on this?

(Discussion off the record.)

Mr. BARR. I want to leave one thought with you, which is purely my own, for what it is worth.

When you talk about cutting this in half and seeing what will happen, I will tell you that you will shock the rearmament recovery of Western Europe beyond belief, because they are just looking for excuses, or enough of them are. They are not looking for evasive excuses, but excuses that satisfy their own conscience for not doing more.

If this Congress in its wisdom says to the rest of the world, "We have decided that this thing is not serious and therefore we are only going to send over half as much stuff as we have been sending," I tell you, Congressmen, you cannot measure the repercussion of it in Europe.

If you just look at dollars expended, we are asking you for \$7,000,000,000 for the NATO area in title I. Indirect aid is not included. An army of roughly 2,000,000 men is being put together and 180,000,000 people are daily being made more willing to be a part of this defense structure. If you start pinching that \$7,000,000,000 very far you are playing, I think, with terrific hazards in the state of mind of these 180,000,000 people, and this army and its equipment.

You cannot cut this appropriation without having an effect on the goods that are going to come out of the United States.

If anybody thinks that cutting it that much means that they will pick it up and do it themselves, they are whistling down a dark alley, because that will not happen.

Chairman RICHARDS. Now, I want to ask you this: We are talking about the possibility of reorganizing this thing. A good many good businessmen who have been employed by the Government think it can be done without injury. There may be injury here and there, but it can be done with over-all success. Here is what bothers me about your end items.

If you leave that out of there, a lot of the end items furnished by the United States are going to depend on the items provided by Europe. A certain amount of economic aid, of course, is to be used to increase that. That is the primary job of most of it. A good bit of it, or, say, one-fifth of it, would be used to increase the production of ammunition and spare parts.

One is related to the other. You put this one over here in the military end entirely, and then you put this other part of the military program over here. If you do that, how are you going to get that synchronized so you get the best out of it? It would be simple to me if it were not for that.

Ambassador KATZ. May I tell you how I see that?

Chairman RICHARDS. Yes.

Ambassador KATZ. I see it this way: Let us say you are dealing with France and there is a computation made concerning the build-up of French forces. That has been made, you see.

Chairman RICHARDS. Yes.

Ambassador KATZ. But the question is, How do you develop the equipment for those forces? You make your best judgment on how much the French can produce and finance themselves.

Chairman RICHARDS. You touched on that.

Ambassador KATZ. Then the French come along and say, "We need help because, having done everything we can possibly do, we are still short." I am assuming they will have done everything they possibly can do.

They then come to the single aid agency and say, "We need help." Here I want to be sure to say something, Mr. Richards, speaking still from my point of view. We talk about military and economic aid. In a sense those titles are not accurate, because military aid really is economic aid, and economic aid really is military aid. What do I mean by that? If you give the French \$2,000,000,000 worth of equipment for their army, to that extent you relieve the French budget and the French economy. If you give the French dollars to buy steel and tools to make tanks, that is military aid.

So the accurate way to look at it is this way: We want this additional build-up which the French can have. For that they need help. How much help can we give them, and in what form can we give it? The judgment as to which form it should be in should be a practical judgment, as to which gets the best result. So we make a calculation that if we give them a certain amount of aid in dollars to buy steel and tools, and so on, they could increase their production by such and such an amount. That is one calculation of how much economic aid there should be.

We also calculate that if we were to give them any more aid in the form of steel and tools, it would not yield a sufficient return in the form of increased French production. So we feel the balance has to be made up of military end-item aid, in our view.

At that point we turn to the military and say, "You fellows have determined the requirements for aiding France, as to whether they need such-and-such a force. On the basis of that force we think the French will be short of equipment by X. We have figured we can cover one-third of X efficiently by giving them steel and tools and other items to increase their own production, but the remaining two-thirds has to be covered by weapons.

"Here you take over from this point and you figure the kind of weapons, and you figure where they should be procured, and take care of the whole process of delivery."

I think that can be tied together in that way.

Chairman RICHARDS. If you are going to do that, why not keep the end-item funds where they are, and then allocate so much? Why can you not say, "Here. We have some money in the United States, and we have to have that much stuff." You could put the whole thing under that one heading.

Ambassador KATZ. It really does not require much more than if you were to take the role of the State Department right now in MDAP and transfer that particular role to a single agency which also admin-

isters the economic aid. Then you will have substantially what I am talking about.

Chairman RICHARDS. End-items and everything else.

Ambassador KATZ. Yes. Even in the case of the State Department the Defense Department still has the responsibility and is given the responsibility for securing military items.

Chairman RICHARDS. It has to say how much can be spared.

Ambassador KATZ. Yes.

Chairman RICHARDS. We have been discussing the end-item business and Mr. Herter, who is certainly one of the best exponents of the aid situation in this Congress, has the idea that with regard to the end-items we ought to say this: Let us give them 15 percent of the production in the United States of this program, or 12 percent, or whatever you are going to make it. Then they will have the same controls as they have now, and all that, but cut that off and put it in a separate department. That would mean, so far as this Congress is concerned, and possibly the Defense Establishment itself, that they would be in the same relationship to that and have the same authority over that that they would with the budget for home defense and the establishment here. It was the thought last year, I think, that part of it should properly go to the Armed Services Committee, dealing with arms aid abroad, and should not come here to this committee.

However, when you do that, you divorce the thing from the composite plan.

Ambassador KATZ. Not only that, Mr. Richards, but it seems to me you divorce your military aid from the build-up of forces. In other words, how do you calculate how many tanks or guns you want to give the French? You do not do that by figuring just the United States production. We estimate the French production, and also it is a question of how many men they can raise, and how long it takes them to train them, and what they have in the way of cadres and officers to train those men. On that basis you have a scheduled build-up of French divisions and you tie your flow of arms to the scheduled build-up of French troops. If that happens to call for 2,000 tanks and your percentage figure applies to United States production happens to be 1,000 tanks, that is just too bad.

Not only that, but here are our fellows working with the French to get this much from them, and the French say it is too much. The French say, "Look here, when we get all of this and get these fellows out on the field, are we going to have the weapons for them?" Our fellows have to be able to say "Yes." That means the flow of weapons has to be scheduled into the flow of French forces.

If you make your flow of weapons dependent on someone's production, there is just no reason to it.

Chairman RICHARDS. What about that, General?

General KIBLER. I think the requirements have to be determined by the Defense Department essentially as they are now, just as Mr. Katz explained it. Otherwise General Eisenhower is not going to have his troops and is not going to have an army to fight with. If you leave with the Defense Department essentially its present functions in this thing with regard to training, in addition to just end-items, I think you could have any number of organizations above that for coordinating end-items.

Chairman RICHARDS. We do not want any number. We want it solidified.

General KILMER. I could be satisfied with our present system. We are about half through this thing and I should not see any reason for changing that.

Mr. CHIPPERFIELD. How about changing the name of ECA?

General KILMER. I think it is important to remember we are half through with this thing and should not change unless essential.

Chairman RICHARDS. We are about through with ECA.

Mr. CHIPPERFIELD. We promised the American people there would be a termination date to this thing.

Chairman RICHARDS. We are going to terminate it.

Mr. CHIPPERFIELD. You heard Mr. Bissell talking about it yesterday.

Chairman RICHARDS. As such, for economic aid for the Marshall plan. The termination date was written in at the start.

You were talking about that, Mr. Katz, and said you think you ought to write it into any program. Of course, you get into a field there that you people do not have anything to do with. There is one phase of this bill which deals with long-time scientific research, and that sort of thing. That is the so-called point 4.

Ambassador KATZ. You can administer that separately. If you put your point 4 in, Mr. Richards, you could provide by statute that those functions that have no terminal date should be administered in a distinct unit under the whole organization, so that when the time comes when you terminate the other functions this thing can be carried on.

Chairman RICHARDS. You could have that in the organization and still not have a terminal date. Is that right?

Ambassador KATZ. Yes.

Mr. CHIPPERFIELD. How about the Export-Import Bank coming into that organization, and the International Bank?

Mr. KATZ. My views on that would be just abstract. I do not know a thing about that.

Chairman RICHARDS. You would say they would have the same relationship to that organization as they have to the others?

Ambassador KATZ. There is a limit to your putting this together. No one in his right mind would suggest that we have a single Department of Domestic Affairs. That is not because they are all unrelated to one another, but because you cannot get more than a certain amount into a single ministry.

If you take the position that everything that deals with foreign countries should get into one organization it will be so unwieldy that no one can administer it.

Mr. CHIPPERFIELD. But when you are giving aid to a country you have to know whether they are getting aid from the Export-Import Bank or the International Bank. You do not want to have duplication there.

Ambassador KATZ. As a practical matter, there has not been any difficulty in keeping ECA and the Export-Import Bank apart.

Chairman RICHARDS. What do you say about having a single agency for the functions we are talking about, Mr. Spofford?

Ambassador SPOFFORD. I think anything we do toward a more effective backstopping of the foreign-aid items is in the right direction.

That is one of the problems we have not worked on, and we have plenty of our own.

Chairman RICHMONDS. You have done a good job.

Bill, what do you think about that?

Mr. BARR. There has been so much said on it, Mr. Chairman. I will personally agree with Mr. Spofford. I am not resigned and in the position that Mr. Katz is in, but I am certainly not tied to this job I have. What is needed is more authority in the hands of the people who are supposed to do things. It seems to us, as we see it over there, that this place is being run by committees, and people spend two-thirds of their time attending committees.

I would like to see the people who are running things here run them without spending so much time clearing with everybody else. We are trying to do that over in Europe. We have a terrible time trying to get answers over here, because by the time they get cleared over here, half the things are done.

Chairman RICHMONDS. Why do you not set up a few more suborganizations? You have a few. Set up a few more subs.

Mr. BARR. I would like to see ISAC with enough authority to operate here, but you have to give those people the stuff to make it possible.

Chairman RICHMONDS. Before we close, how long will you be in town? All of next week?

Ambassador SPOFFORD. I think we will. We are going over to the Senate committee.

Chairman RICHMONDS. If we need you Monday or Tuesday and it does not conflict with that, will you gentlemen be available for a very short time? I do not know, but perhaps some of the others will want to ask you something.

Ambassador KATZ. We would appreciate it if we could get as much notice as possible. I have to go to New York for 1 day.

Chairman RICHMONDS. Mr. Mansfield.

Mr. MANSFIELD. Reverting back to the question raised by Mr. Chipperfield, which has certainly a good deal of merit to it, as to whether or not the people who work on these programs think of the United States as well as the needs of the European countries, I want to say in my opinion I think they do. That is, they have to do it just as we have to do it here.

However, the thought strikes me when we are engaged in a program such as this, which costs a great deal of money, and which I, and I am sure the rest of the committee, have to explain to our constituencies that we represent, I am struck by the idea that what we are doing here is spending money in behalf of the security of the United States. We are spending money in a fight for freedom and a fight for survival.

I think that if people think of this program and realize how much it will cost us in dollars and cents if we lose Western Europe and become isolated, then we are in a position where we have no choice in the matter. This is not just a struggle of a Korea here and a Korea there, but it is a struggle which contains a continuing number of Koreas, and it will be so for some years to come.

So, in my opinion, the money is being spent for a good security purpose.

I want to ask one question of General Kibler. How many divisions do we contemplate having in Europe?

General KIMMER. The United States?

Mr. MANFIELD. Yes.

General KIMMER. Six.

Mr. MANFIELD. Are those six to be in Germany?

General KIMMER. Yes.

Mr. MANFIELD. Is it true then that the troops in Austria and Czech will, in effect, comprise another division?

General KIMMER. That is right.

Mr. MANFIELD. The average American division—and this is just for the record—comprises anywhere from 18,000 to 20,000 men. Is that right? I am just reiterating now.

General KIMMER. Yes. Around that.

Mr. MANFIELD. Exclusive of that 18,000 to 20,000 men in each combat division, how many men do you have backing up each combat division?

General KIMMER. I said a moment ago that our normal theater division slice is 40,000. That means roughly 20,000 behind each division.

Mr. MANFIELD. All right.

Chairman RICHARDS. Wait a minute. You said 20,000?

General KIMMER. Roughly 20,000. That makes a total normal theater division slice of 60,000.

Mr. MANFIELD. You have one man behind one man in a combat unit?

General KIMMER. Yes. That does not include the Air Force but only the Army.

Mr. MANFIELD. The 60,000 is out. This is just the ground back-up of these divisions and exclusive of the 60,000 Air Forces.

General KIMMER. That is right.

Mr. MANFIELD. And that would give us roughly 180,000 men comprising seven divisions, plus another 180,000 behind them. That would be 360,000, plus the 60,000 Air that has been mentioned. We will say, as a round figure, that it would be 420,000.

General KIMMER. Yes.

Mr. MANFIELD. That is all, Mr. Chairman.

General KIMMER. There is something to add to that. When you add the Air and Navy you are not far away from that figure.

Mr. MANFIELD. I have already added the 60,000 figure, but have left out the Navy. I am trying to get this clear in the record because this question is coming up and we will have to get it straightened out.

Chairman RICHARDS. Then with all the necessary component groups, including the Navy, and the communications people, that figure would not be far from that.

General KIMMER. It would not be far from 400,000.

Mrs. BOLTON. May I ask that you have somebody give us the meaning of these "slices," such as the world slice and some other slice? There were three of them?

General KIMMER. Just two. I only know of two. That is enough.

Mrs. BOLTON. I would think so. If we could just have that, or if you would give it to us here. What is the world slice and what does it represent?

General KIMMER. Sixty-five and forty. That is my knowledge of it. I think the Defense Department ought to give that.

Mrs. BORTON. What is the meaning of "world slice"?

General KUTLER. It includes the zone of interior and includes the United States, and everything you have here which is necessary to support an army.

Mrs. BORTON. That is very clear. Thank you.

Ambassador KATZ. I would like to say one thing for the record, that the figures which Mr. Vorys requested with regard to counterpart were handed to Mr. Vorys.

Chairman RICHARDS. That is correct.

The committee stands adjourned until Monday morning at 10 o'clock.

(Whereupon, at 1:10 p. m. the committee adjourned until 10 a. m., Monday, July 30, 1951.)



THE MUTUAL SECURITY PROGRAM

MONDAY, JULY 30, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we will continue the hearings on the so-called Mutual Security Program.

The question was raised, I believe by Mr. Vorys, and some others, a day or two ago concerning General Marshall's statement about the question of sending 400,000 troops to Europe.

I have a letter here from General Marshall on the subject. Without objection, after the clerk has read this letter to the committee, I will put it in the record.

Is there any objection? There being no objection, it will be included in the record.

Mr. CRAWFORD. This is a letter addressed to the Honorable James P. Richards, chairman, House Committee on Foreign Affairs, House of Representatives. It is dated July 28, 1951.

I have been informed that a question has arisen as to the basis for my statement before the Senate Foreign Relations Committee yesterday as follows: "We will have, I think, about 340,000 in Ground Forces, and some 50 or 60,000 in the Air Forces, reference United States military strengths in Europe in 1952."

I want to confirm at this point that the total figure of approximately 400,000 is correct, of which approximately 60,000 will be Air Force personnel.

The 340,000 Ground Force troops represent the approximate total personnel strength of the six divisions reported to the Congress, the necessary "combat support" and "logistic support" troops to maintain, supply, and support these six divisions in combat readiness, the necessary corps and Army headquarters troops, the necessary antiaircraft units for the protection of both ground and air units, and includes also our forces in Austria and Trieste.

The foregoing figures and requirements provide the necessary types of troop units to maintain, both in combat readiness and in combat itself, the six combat divisions. The number of supporting troops per combat division is less than that required in Europe for the support of our combat divisions in World War II.

When the Congress discussed the six divisions, there were already in Europe some 100,000 military personnel.

Faithfully yours,

G. C. MARSHALL.

Chairman RICHARDS. The first witness we have this morning is the Honorable Carlisle Humelsine, Deputy Under Secretary of State. He will testify on the question of salaries and super-grades.

STATEMENT OF HON. CARLISLE HUMELSINE, DEPUTY UNDER SECRETARY OF STATE

Mr. HUMELSINE. I am going to talk, Mr. Chairman, to section 512, subsection (a) and (b), and section 513, on page 56 of the Mutual Security Program.

We are asking for eight top positions to direct and operate this ISAC organizational arrangement.

Section 512(a) is the section that has to do with the Director, International Security Affairs' position. That is a position that is filled by Mr. Cabot at the present time. We are asking for a salary of \$17,500 for that particular position. That is the top position in the ISAC committee. It is in the hierarchy of the executive branch. It is the equivalent of a Deputy Secretary of State.

He is, I would say, in this field the number one man, if you excluded the Secretary of Defense, the Secretary of State, and the head man of the ECA. That is a position covered in section 512.

In section 512, subsection (b), we are asking for four positions at \$15,000 a year. Those positions are for a Deputy Director, Mr. Coolidge holds that position at the present time; an Assistant Director for Policy and Program Development, that is a position held by Mr. Jack Ohly; Assistant to the Secretary of Defense, which is the job in Defense comparable to Mr. Cabot's position in the State Department, and also that is the position of the Defense representative on ISAC. In other words, Mr. Nash wears two hats. He is the Defense representative on ISAC, and he is the man who operates the total program within the Defense Establishment.

The next is the Executive Director of the European Coordinating Committee, Mr. Bonesteel. He is the man that works as the Executive Secretary and Executive Director of the American team over there. The American team is made up of Mr. Spofford, as the United States Deputy of the North Atlantic Treaty arrangements, General Handy, the Defense representative there from the Department of Defense, Mr. Katz the top ECA representative in Europe, and Mr. Batt, the United States member of the NATO Defense Production Board and ECA top man in England.

Mr. GORDON. Has not Mr. Katz resigned already? It was stated in the press.

Mr. HUMELSINE. The 15th of August. I am talking about Mr. Katz as an individual. When he resigns there will be a replacement, presumably, who will have the exact same position.

Then, in addition, under section 513, we have asked for three additional positions in the so-called supergrade structure of the executive branch. Those three would be at the GS-18 level, pay \$14,000 apiece a year.

Those would be for the three assistant directors that we have not covered in the other five positions.

Mrs. BOLTON. They are at what level?

Mr. HUMELSINE. At the GS-18 level. That is the top rating. That is the \$14,000 job. Those would be for the Assistant Director in Charge of Program Management, Mr. John Bell, Assistant Director for European Security and NATO Affairs, Mr. Ernest Pittman, and the Assistant Director for non-European Security Affairs, Mr. Jonathan Bingham.

That is the sum-total of the jobs that we are asking for in the super-grades.

I would be delighted, Mr. Chairman, to answer any questions I could in regard to these positions.

Chairman RICHARDS. Thank you, Mr. Humelsine. You are short and to the point. That is what we want. That is what you are up here to tell us about. Are there any questions? Dr. Eaton.

Mr. EATON. No, I got in too late for questions, although I am startled at hearing of the salary of \$14,000. That beats being a Congressman.

Mr. HUMELSINE. Practically any job, I would say, beats being a Congressman.

Chairman RICHARDS. The witness has just testified that any job beats being a Congressman. Do you agree with that?

Mr. EATON. Sure. From the point of view of profit, permanence, and peace.

Chairman RICHARDS. Mr. Gordon.

Mr. GORDON. Mr. Chairman, this additional help that you are asking for, will they remain here or will they do most of their work in Europe?

Mr. HUMELSINE. They will be here, practically all of them, except Mr. Bonesteel, who will be in Europe. This will be the framework for the ISAC organization; also, the individual that runs the top job in ECA, or whatever would be determined under the act, and the Defense Establishment.

Mr. GORDON. That means it will increase the personnel by how many people?

Mr. HUMELSINE. Under the MDAP Act, we had eight positions filled, but we were paying certain of these \$50 a day as consultants, which is the consultant fee with the Government.

We did not have under the MDAP the type of program that you have under this particular act. Under the MDAP, you were talking about a program that had only to do with military assistance, which was in the neighborhood of \$1 billion. Here you are talking about a program of \$8½ billion. It has to do not only with military assistance, but it has to do with the pulling together of these international security arrangements, I mean, the backstopping of the North Atlantic Treaty Organization, the Organization of American States, and those particular arrangements. It is a different animal from what the MDAP was.

Mr. GORDON. That is all, Mr. Chairman.

Chairman RICHARDS. Mrs. Bolton.

Mrs. BOLTON. Mr. Secretary, what is your sense of this new organization? Do you feel it should be a separate organization? How do you see it set up? How do you see this work done?

Mr. HUMELSINE. I would be pleased to give my own views on that. Actually, I was not prepared to testify to that.

I am afraid I am pretty orthodox in that. I think that the set-up that the administration has asked for here is logical. The reason I think it is logical I would like to set down, if I could, briefly for you. I do not think there is any way of getting away from the following facts: The military character of the aid program is a job for the Defense Department to do. I do not think there is any doubt about that, at least in my mind.

The second fact is that to determine the economic character of the program, and the economic operations, is a job for a single economic agency in the aid field.

I think you have to have something like the ECA, or some such organization, to do that.

But then here in Washington I think you have a real job of coordinating whatever you do.

There are two of the aspects, the defense part, the economic part.

Then you have the overriding consideration of the political, and the total coordination of all three of these things so that we have a program that makes sense, so far as this Government is concerned, and which sees that this money which is appropriated is used wisely.

To coordinate is the job, as I understand it, of the State Department. That is the job set down in the way the executive branch is organized. They are supposed to take care of the foreign policy under the direction of the President. That is what is proposed under ISAC, that in the State Department you set up an operating committee that includes the defense and the economic arm that is decided on for this aid program, along with the responsibilities that normally are handled by the Secretary of State in doing this coordinating.

You keep a small organization, and then you coordinate United States policy there. If you take this thing and put it somewhere else, all you are doing is setting up, at least in my judgment, a second Department of State. If you are going to do that, my suggestion is make it complete enough and then you can move the whole thing kit and caboodle over there.

I do not see any other way to run it except that way, if you are going to follow the premise that the Department of State is the organization that coordinates foreign policy.

I think I ought to emphasize that this ISAC committee is not the committee that is going to run this thing. They are the committee that is going to coordinate it. The defense part is going to be operated by the Defense Department.

Any economic phase that comes up I would assume would be operated by the economic agency, in the same sense that ECA did it. But you still have to have the thing coordinated. We are talking about an organization of about 100 people. That is the total personnel in the office of International Security Affairs in the Department of State. I would say about 30 of those people are tied up in a fiscal operation to make sure that this thing is properly coordinated.

Mr. HERTER. Would Mrs. Bolton yield?

Mrs. BOLTON. Yes, indeed.

Mr. HERTER. You speak of this as a coordinating organization. On the other hand, the money that was appropriated in the last 2 years has been actually expended by that organization, that is, the money is spent by the State Department, so it becomes more than a coordinating agency; in effect, it has control over the funds.

Chairman RICHARDS. When you answer that, I would like to interpose a question on that, if the gentlewoman will yield.

Mr. HUMELINE. Mr. Congressman, as far as the appropriations, I think the appropriations of the funds should be made to the President, and then the President decide where it is wisest to subappro-

priate those funds in order to do the best job in the executive branch of the Government.

In all reality, in the way the Military Assistance Program operated, there were large sums in the breakdown that were given to defense under the MDAP. But in order to have any sense of control to this coordinating committee, the funds virtually had to be there. It would be like trying to coordinate somebody if they had all the money, all the power, and so forth. They are going to tell you to go chase over the hill. You have no authority over them whatsoever. It makes it practically impossible to do a job of coordination.

Chairman RICHARDS. Will you yield?

Mrs. BOLTON. I think my time is up, Mr. Chairman.

Chairman RICHARDS. I will interpose a question there. Granting, of course, that the State Department, under the President, makes policy, policy in Europe, in regard to the Atlantic Pact and the NATO, and all of that, I think that is pretty well defined in all of our minds.

This thing is based on policy. That being the case, why could there not be an independent agency to carry out that policy? If there was an independent agency in ECA to carry out ECA operations, why not an independent agency over the whole thing?

Mr. HUMELSINE. This thing, Mr. Chairman, at least as I visualize it, is beyond anything under the ECA. ECA had one single job to do. It was pretty definitely laid down what they were to do. The guide lines were there. Actually, you do not have all of your policy made. You have your preliminary policy made and your operating policy as far as the present arrangements under the North Atlantic Treaty Organization, as far as Europe goes. But that is a shifting thing. That is going to shift from day to day, as new crises come along.

NATO is in its infancy. It is going to become, I hope, a much stronger thing than it is today. Today it is nothing but laid out on a piece of paper, and the structure over there has but a skeleton staff working in it. There are no forces in being, as such.

You have a long way to go before this is the meaningful thing that I am sure we need in order to carry out our objects of our foreign policy.

If you take and put the defense, put the economic, put all that business in a separate agency, that fellow virtually is going to be a Secretary of State. He is going to be in the position that he is making and has the authority to practically make the decisions.

Chairman RICHARDS. He could not override the President.

Mr. HUMELSINE. No; but you could get such a complication and so much confusion down there, with the President being in the position of coordinating two Secretaries of State, that I think you would have yourself in a fine kettle of fish.

Chairman RICHARDS. How about end items? Do you think they ought to be under this policy—military items?

Mr. HUMELSINE. End items?

Chairman RICHARDS. Yes; tanks, guns, and so forth.

Mr. HUMELSINE. I think that is a defense problem to do.

Chairman RICHARDS. Then that should not be like it is in this bill. Defense makes those decisions, anyway. Why not turn those over to

General Eisenhower that are in this bill, those from our production line, that is, a certain percentage of them. It has been suggested here that this is an over-all program of defense. It has been suggested if a portion is assigned to Europe why not let the military handle it entirely.

Mr. HUMELINE. Largely, under the way it operates now, the military does handle it practically 100 percent, as far as the procuring of that. I think, within the framework of this ISAC committee you ought to keep control of that thing to make sure that as this thing shifts from time to time you can adjust accordingly, as far as the overriding political necessities are concerned.

If you could lay this thing down like General Motors does in laying out their production of cars, and if you only had to worry about what the market was going to be for cars in the United States, then you could go ahead in the program to fill that.

That is one thing. But this thing is shifting all the time. It is not static as the demand for cars is in this particular country.

I heard someone say this morning that we are not operating a thing as simple as a popsicle wagon here. It is not like a fellow taking a very simple business and running it himself. This is a very complex arrangement that has to do with everything that we are doing in the foreign-policy field.

If you take that and put it lock, stock, and barrel outside of any coordinating responsibility of the Secretary of State and the State Department as such, I think you have got yourselves away from the fundamental idea.

Chairman RICHARDS. The economic aid under the Marshall plan was a departure from the foreign policy of the United States. As far as that announced foreign policy to build up the world to combat communism, this Congress wrote into the law it would be an independent agency. That is before some of these other things came into it. I cannot see the distinction.

If you could operate under that, and not have a head-on clash with foreign policy or the State Department, I cannot see why that same theory should not go along the line, unless it does not answer the problem in the military field.

Mr. Herter has arisen the question here about end items from time to time. That is one phase of it, but I am talking about the over-all program of economic relief.

For instance, some of the economic relief is for military production. That blends in from one to the other. I think if this thing worked under ECA, and there was not a head-on clash or conflict with the policy-making end of the Government, I just cannot see why the other will not work.

Mr. HUMELINE. Probably it is an oversimplification, but my general impression of ECA was that you had a very specific job that ECA was going to do, that was that you were going to get European production and the European economy back on its feet after the disaster of the Second World War.

Chairman RICHARDS. Now ECA is going out and you have another job.

Mr. HUMELINE. That was, I think, a relatively simple job, as compared to what we are getting into now. It was a difficult job.

There is no doubt about that. But it was directed toward simple objectives. They were difficult to achieve.

Chairman RICHARDS. I am getting a little away from your particular field. I will call on Mr. Mansfield.

Mr. MANSFIELD. No questions.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Mr. Humelsine, what position do you fill down in the Department?

Mr. HUMELSINE. Deputy Under Secretary for Administration, sir.

Mr. SMITH. In that capacity you have the responsibility of considering personnel?

Mr. HUMELSINE. Yes, sir.

Mr. SMITH. How many people are now engaged in this program? How many are employed?

Mr. HUMELSINE. In this particular program?

Mr. SMITH. That is right.

Mr. HUMELSINE. Approximately 100 actually employed in the Office of International Security Affairs.

Mr. SMITH. Here in this country?

Mr. HUMELSINE. Yes, sir.

Mr. SMITH. How many overseas?

Mr. HUMELSINE. About 100 involved in the direction of the program, including the organization under Mr. Spofford. This includes a small staff under Mr. Bonesteel, Executive Director of the ECC.

Mr. SMITH. As you visualize the growth of this particular activity, have you been thinking in terms, or has your Department been thinking of the maximum number of employees required for the over-all program?

Mr. HUMELSINE. As far as the over-all program is concerned in the State Department, I do not visualize for the coordinating responsibility that we have a very large organization. The organization that is going to take care of the economic phase, and the organization that is going to take care of the military phase, as far as getting these things in production and handling the total economic arrangement, that is going to be, I imagine, a sizable staff.

Mr. SMITH. Who would have that information?

Mr. HUMELSINE. I imagine Mr. Foster would have that information, and I imagine Mr. Nash would have that information, as far as Defense is concerned. We do not, as far as State goes.

This ISAC is a coordinating instrumentality. That is exactly what it is. It will not build up into a big organization, unless I am sadly mistaken. That is my understanding. Is that not correct, Mr. Coolidge?

Mr. COOLIDGE. There are no plans for that.

Mr. SMITH. What activities are they coordinating?

Mr. HUMELSINE. Under that, they are coordinating the entire purposes of this particular act.

Mr. SMITH. You mean the whole act?

Mr. HUMELSINE. The whole act, including the four titles, including NATO. NATO will come under title 1. That will be the largest, and the rest.

They will be backstopping Mr. Spofford's organization as the United States Deputy to the North Atlantic Treaty Organization. It

will be centered on this coordinating job, and will not get into the operations per se of the program.

Mr. EFRON. May I say that a letter has gone forward to you this morning outlining all the personnel, both in the United States and overseas, civilian and military, that the Department of Defense has.

Chairman RICHARDS. I think we have that letter here. I was going to put it in the record.

(The documents referred to are as follows:)

Department of Defense employment under Mutual Defense Assistance

	Present	1952 estimate
Military:		
United States.....	239	351
Overseas.....	2,327	3,217
Total.....	2,566	3,571
Civilian:		
United States.....	8,108	7,667
Overseas.....	620	735
Total.....	8,728	8,402

This statement includes only military personnel regularly assigned and civilian personnel regularly employed on a full-time basis for MDAP. The military personnel overseas does not include the members of mobile training teams, which are usually in temporary duty status. The civilian personnel in the United States does not include the labor force employed in the various installations and facilities from time to time in connection with the rehabilitation, repair, and delivery of matériel, or in the manufacture of equipment in Government plants and arsenals. There was an average of approximately 20,000 so employed during fiscal year 1951. The civilian personnel overseas does not include indigenous employees paid from contributed local currency. There was approximately 675 so employed during the greater part of 1951.

OFFICE OF THE SECRETARY OF DEFENSE,
Washington D. C., August 3, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: I am attaching for the information of the committee budget estimates and a general statement justifying them, prepared by the Department of Defense for administrative expenses for the Mutual Defense Assistance Program for fiscal year 1952. There is also attached a statement with respect to personnel services in the military assistance advisory groups, together with a breakdown of military and civilian personnel in each of the country missions.

The attachments represent the most complete information as to personnel and administrative expense requirements available to the Department of Defense. We will, of course, be happy to furnish any further information you may require.

Sincerely yours,

EDWARD L. WADDELL, Jr.,
Lieutenant Colonel, OSC, Executive.
(for S. L. Scott,
Major General, United States Army,
Director, Office of Military Assistance).

PERSONNEL SERVICES IN MILITARY ASSISTANCE ADVISORY GROUPS

The general statement in the budget justifications for administrative expenses of the Department of Defense emphasizes that the military assistance advisory groups (MAAG's) are representative of the entire Department and not primarily

of the services. This statement is based on the nature of these advisory groups and the functions they must perform.

Their personnel are not compartmented; the mission of training is one which is performed to some extent by every member of each of these MAAAG's, for example: similarly the checking on utilization of equipment provided is performed as part of the duty of every member of the MAAAG as he carries out his duties related to matériel and training programs. The level of forces, the status of training and effectiveness of utilization of matériel on hand and an estimate of the capacity to utilize additional matériel effectively must all be weighed in developing, screening, and recommending country programs for additional matériel as well as additional training to be financed from United States appropriations for mutual defense assistance.

The statement which follows outlines the duties of the chief of a military assistance advisory group. All of its subordinate personnel are assigned to provide the necessary specialized assistance required to effect the mission of the chief.

The chief of the MAAAG, with appropriate assistance from the ECA Mission chief, is responsible, under the general direction of the chief of the diplomatic mission, for leading and coordinating United States military program efforts within the country and for making appropriate recommendations. He is primarily responsible for furnishing military judgment on all aspects of the program and for:

(a) Advising the military staff of the country government on the initiation and development of requests for aid.

(b) Determining, in accordance with policy and instructions, matériel requirements, and submitting necessary itemized lists of equipment to be included in the country grant aid program.

(c) Directing and assisting in the preparation of requisitions for United States military matériel.

(d) Recommending priorities of receipt of equipment within the limitations of an approved program.

(e) Coordinating proposed military-end-item programs with the ECA Mission to permit elimination of items which can be obtained from other sources, and to serve as a basis for support by ECA of defense programs.

(f) Participating, in cooperation with ECA representatives, in the development of programs for indigenous production.

(g) Receiving United States military matériel and effecting transfer of title to the recipient government.

(h) Advising and assisting the recipient government in the receipt, identification, storage, maintenance, warehousing, and proper use of military supplies and equipment furnished by the United States.

(i) Maintaining supply records showing the status of all approved military programs with respect, particularly, to items not yet requisitioned, items requisitioned but not shipped, items in transit, items received but not yet transferred, and items transferred to the recipient government and making required reports.

(j) Initiating recommendations for the standardization of equipment, training methods and doctrines, and advising in the implementation thereof.

(k) Advising and assisting in the development of approved training programs, and establishing such United States training detachments requested by the country government as are approved by the United States Government. This will include direction of temporary training personnel assigned in accordance with approved policies and programs.

(l) Observing and reporting on the end-use and maintenance of items of equipment furnished.

(m) Reporting on program progress, status of training, the capacity of the local armed forces to utilize the equipment scheduled for shipment, and similar matters.

In a number of countries, particularly Greece, Turkey, Formosa, the Philippines, and Thailand, the military assistance advisory group includes a field training mission with its personnel stationed with, and attached to, troop units of the host nation. In all other military assistance advisory groups, the training function is that stated in the description of the duties of the chief of the military assistance advisory group; performance of training—to the extent that it is performed by United States personnel in these countries—is by mobile training teams (composed almost entirely of military personnel) detached for temporary periods to conduct specific courses at facilities provided by the host nation, whose extra expenses within a country are paid by the host country. The operations func-

tion embraces the whole field of program development, supply, and end-use check—including the receipt of material, and assistance to the recipient country in utilization, storage, and distribution of matériel. With minor exceptions, civilian personnel are primarily stenographic and clerical employees who are United States nationals. A distribution of MAAG personnel complements estimated for 1052 MDAP operations is provided on the attached tables.

	Army				Navy				Air				Total		
	Officers	Enlisted men	Civilians	Total	Officers	Enlisted men	Civilians	Total	Officers	Enlisted men	Civilians	Total	Military	Civilian	Total
Belgium Luxembourg:															
Operations.....	16	16	5	37	2	1	1	4	9	3	3	15			
Training.....	4	2	2	8	1	2	1	4	4	1	0	5			
Administration.....	1	4	2	7	1	2	1	4	1	3	0	4			
Totals.....	21	22	9	52	4	5	3	12	14	7	3	24	74	15	89
Denmark:															
Operations.....	4	3	7	14	4	1	1	6	10	2	2	20			
Training.....	2	1	1	4	1	1	0	2	2	1	1	4			
Administration.....	1	4	2	7	0	2	0	2	0	3	0	3			
Totals.....	7	8	10	25	5	4	1	10	12	5	3	20	44	14	58
France:															
Operations.....	29	16	15	60	11	12	5	28	12	4	4	20			
Training.....	4	2	2	8	0	0	0	0	7	2	1	10			
Administration.....	1	2	4	7	1	1	1	3	1	4	1	6			
Totals.....	34	20	21	75	12	13	6	31	20	10	6	36	100	33	133
Italy:															
Operations.....	12	2	11	25	7	12	4	23	7	5	3	15			
Training.....	2	1	1	4	2	1	1	4	2	1	1	4			
Administration.....	1	2	1	4	0	0	0	0	1	4	0	5			
Totals.....	15	5	13	33	9	13	5	27	10	10	4	24	62	22	84
Netherlands:															
Operations.....	11	5	6	22	10	10	1	21	3	2	2	12			
Training.....	2	1	1	4	0	0	0	0	2	1	1	4			
Administration.....	1	1	1	3	0	0	0	0	1	4	0	5			
Totals.....	14	7	8	29	10	10	1	21	6	7	3	16	36	12	48
Norway:															
Operations.....	7	6	2	15	5	7	2	14	7	9	2	18			
Training.....	3	1	1	5	2	1	1	4	1	1	1	3			
Administration.....	1	0	0	1	2	2	1	5	1	3	1	5			
Totals.....	11	7	3	21	10	10	4	24	9	13	4	26	60	11	71
Portugal:															
Operations.....	7	6	18	31	4	3	0	7	4	2	0	6			
Training.....	3	0	1	4	0	0	0	0	1	1	0	2			
Administration.....	1	1	1	3	0	1	0	1	1	3	0	4			
Total.....	9	7	10	26	4	4	0	8	6	6	0	12	34	10	44
United Kingdom:															
Operations.....	3	2	1	6	5	6	0	11	12	9	3	24			
Training.....	1	1	1	3	1	1	0	2	2	1	1	4			
Administration.....	0	0	0	0	0	1	0	1	1	1	1	3			
Total.....	4	3	2	9	6	8	0	14	15	11	5	31	47	7	54
JAMAQ-MAPAG:															
Operations.....	15	4	2	21	9	5	1	15	30	3	3	36			
Training.....	6	2	2	10	2	2	1	5	2	3	1	6			
Administration.....	3	2	1	6	1	2	1	4	2	1	1	4			
Total.....	24	8	5	37	12	9	2	23	34	7	5	46	83	14	97
Total, title I.....													874	129	1003

1 2 Navy, 2 Air Force carried in Army section because on Army payroll.

NOTE.—Two Air Force enlisted men crew for aircraft are included in administration section figures for each MAAG.

	Army				Navy				Air				Total		
	Officers	Enlisted men	Civilians	Total	Officers	Enlisted men	Civilians	Total	Officers	Enlisted men	Civilians	Total	Military	Civilian	Total
Greece:															
Operations	35	13	8	56	12	19	0	31	10	6	3	19			
Training	57	91	3	151	5	7	0	12	16	14	1	31			
Administration	10	8	6	24	2	4	0	6	2	1	1	4			
Total	102	114	17	233	20	31	0	51	28	21	5	54	316	22	338
Turkey:															
Operations	40	16	20	76	10	18	0	28	22	12	6	40			
Training	28	198	11	417	16	31	0	47	42	98	3	143			
Administration	36	14	48	98	11	23	0	34	13	15	4	32			
Total	204	228	85	517	37	72	0	109	77	125	13	215	821	98	919
Iran:															
Operations	13	6	5	24					2	2	0	4			
Training	1	1	1	3					0	0	0	0			
Administration	1	6	1	8					0	3	0	3			
Total	15	13	7	35					2	5	0	7	35	7	42
Total, title II													1,172	127	1,299
Formosa:															
Operations	26	26		52	10	23		33	8	7		15			
Training	45	37		82	9	2		11	33	28		63			
Administration	10	15		25	1	1		2	1	2		3			
Total	91	78	0	169	20	26	0	46	42	37	0	79	277	0	277
Indochina:															
Operations	9	8	1	18	3	4		7	6	3		16			
Training	1	1	0	2	1	1		2	1	1		4			
Administration	5	19	0	24	0	1		1	2	6		9			
Total	15	28	1	44	4	6	0	10	9	10	0	19	72	1	73
Indonesia:															
Operations	1	3		4											
Training	1	2		3											
Administration	1	2		3											
Total	3	7	0	10									10	0	10
Philippines:															
Operations	8	5		13	2	2		4	2	2		6			
Training	14	9		23	1	1		2	1	1		4			
Administration	2	4		6	1	1		2	1	1		4			
Total	24	18	0	42	4	4	0	8	4	4	0	12	58	0	58
Thailand:															
Operations	9	8		17	2	2		4	10	7		19			
Training	17	19		36	1	1		2	5	5		12			
Administration	1	2		3	0	0		1	1	4		6			
Total	27	29	0	56	3	3	0	7	16	16	3	35	94	3	97
Total, title III													511	4	515
Total, all titles													2,281	200	2,480

Mr. SMITH. I wish we might have that, Mr. Chairman. I think when we were in Paris, we were informed in Paris alone there were 3,400 Americans engaged in all of the activities.

Chairman RICHARDS. I think the distinction he made there was that that was the administrative end of the program, and not in the field; is that right?

Mr. HUMPHREY. That is right.

Mr. REEVE. Would the gentleman yield? Would it be feasible, Mr. Chairman, to have an over-all personnel breakdown which would include ECA and ISAC and MDAP, etc.?

Chairman RICHARDS. I think so. I think we should have it. I was under the impression we had most of that now. If we have not got it, I will assure the gentleman we will get it.

Mr. REECE. Then it would be all together?

Chairman RICHARDS. Yes; and it would show your particular field that you are talking about, Mr. Secretary.

Mr. HUMELSINE. I will see that is prepared and furnished to the committee. I am sure Mr. Cabot has that.

(The information referred to is as follows:)

August 1, 1951.

Memorandum for: Mr. Albert Westphal, House Foreign Affairs Committee staff.

In accordance with our conversation of yesterday, I am forwarding, herewith, the data on MDAP employment in the Department of State. I understand you have already received like data from Defense and ECA and that taken together, these data meet the request of the committee as made to Mr. Humelsine during his testimony on Monday, July 30.

I trust you will see copies of these tables are made available to Mr. Reese.

J. E. MURPHY,

Comptroller, International Security Affairs.

MDAP American Employment as at June 30, 1951

United States:	
Program direction.....	88
Program support ¹	110
Total United States.....	207
Overseas:	
Program direction.....	107
Program support ²	140
Total overseas.....	247
Grand total.....	454

¹ Program support includes positions necessary to absorb the impact of the MDAP on regular department operations. Includes such personnel as account clerks, clerk stenographers, cryptographers, and other personnel in the geographic bureaus required to handle the increased work load generated by the program.

² In most overseas locations, the Department of State provides administrative support in the form of housekeeping services to defense elements in addition to State program personnel.

Chairman RICHARDS. I know we have some. I wish you would see if there is an over-all statement from Mr. Cabot on down through the operations of the set-up that you are talking about, and the administration of the ECA itself.

Is there anything else, Mr. Smith?

Mr. SMITH. I noticed in a release last Friday or Saturday by Mr. Foster that he is discussing changes also in administrative personnel. I was wondering what connection that had with the thing you are talking about.

Mr. HUMELSINE. That is within the framework of his own organization. On this particular organization he has a representative. He has one of the five members of the coordinating set-up. That would be made up of the Defense representative, the State representative, as chairman, Mr. Cabot, and representatives of ECA, the Treasury, and Mr. Harriman's office.

Then this particular organization, this little coordinating organization, 100 people work in effect, for this group within the frame-

work of the State Department, that is in the Office of International Security Affairs.

Mr. SMITH. You said something a moment ago about somebody making mention of the fact that this whole proposition ought not to be considered from the standpoint of a popsicle business.

Is there anybody down in your organization that really feels that Congress is really approaching this matter from that standpoint?

Mr. HUMELSINE. I was not referring to Congress.

Mr. SMITH. You were referring to somebody, and from your remarks I am impressed that they had reference to Congress' approach in this matter.

Mr. HUMELSINE. No, sir. I am sorry if I gave that impression.

Mr. SMITH. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Carnahan.

Mr. CARNAHAN. No questions.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Have I not exhausted my time by breaking in?

Mr. Humelsine, I find myself a little embarrassed because both Mr. Cabot and Mr. Coolidge are close friends of mine and I have the greatest admiration for them, but I am still very confused about this coordinating set-up.

When the ECA set up a regional office in Paris as a coordinating set-up for the European scene it began with a very small office. Today it is much the largest office in Europe. I think with some one-thousand-three-hundred-and-some-odd people in it. It is literally a coordinating office. While it had certain specialists in it that operated for the different missions, it nevertheless started as a coordinating office for Europe, and in effect became a second screening office for everything that was done by every European mission. That would be screened again when it came to Washington. So you had three screening processes.

In order to do that, the OSR kept growing in numbers, and as the work tapered off it continued to stay at its full personnel.

Here you have individuals with the best of intent wanting to hold down the personnel of this coordinating operation, which is also an operating organization. The fellow who controls the funds is the operator. There is no getting away from it. If he wants to put the heat on at any moment he can withhold funds and he, in effect, takes the major responsibility for the operation under that process.

When you are doing that, in order to keep yourself as well informed as all the missions and all the coordinating agencies, the tendency always is to build, and build and build, and you never get away from it when you officially set up a coordinating body of this kind.

I have serious doubt as to whether it is good administration to do this, but I am impressed by your feeling that it is the logical way to go at it. I can understand it would be entirely the logical way to go at it if the State Department were taking primary responsibility for operating all the way, but operation and coordination are two entirely different things.

Mr. HUMELSINE. That is right, and we try to keep those two things distinct.

Mr. HERTER. The fellow who controls the money sooner or later gets into the operation, and you cannot help it.

Mr. HUMELSINE. I do not think history bears you out on that because we have controlled the money as far as the MDAP is concerned. We do not have a great, big organization there built up. We have kept it small. The operation has been done by the military in that field, and I think you have a splendid object lesson there to look at.

Yet, that has been going on for 2 years.

Mr. HERTER. Yet, Mr. Humelsine, the military testified on Friday that the whole operation would be simplified and speeded up tremendously if they had a direct line of responsibility.

Mr. HUMELSINE. It would be speeded up as far as their business is concerned. I admit if you give the money directly to the military, insofar as their particular phase of it is concerned, looking at it from the military standpoint, surely it is going to be speeded up.

If you give money directly to anyone, it is going to be gotten rid of sooner in order probably to get the tanks, guns, and that sort of thing. However, there is more to this particular program than that one facet of it.

We want these things to be pooled together, so that we get our total United States objective out of it. We do not want one fellow running down one road and one fellow running down another road and another fellow running down a third road.

Mrs. KELLY. Will the gentleman yield?

Mr. HERTER. Yes.

Mrs. KELLY. Did I understand you to say that ISAC had full control of MDAP?

Mr. HUMELSINE. That is right.

Mrs. KELLY. I thought ISAC only came into being about 4 months ago?

Mr. HUMELSINE. ISAC came into being about 4 months ago, but it is the successor agency to MDAP. MDAP was limited to the military.

Now, actually, in getting ready for this presentation and in preparing this program to submit to the Congress, the ISAC organization was created, but it still includes the MDAP going concern.

Chairman RICHARDS. Are you through, Mr. Herter?

Mr. HERTER. Yes. Thank you.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. No questions.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. I do not have any questions, Mr. Chairman, but just a further comment with reference to the personnel breakdown. It would seem to me it would be helpful if that could be broken down so as to show the number of personnel in each one of these phases of the operation, so that when a person looks at it he gets a pretty good picture of what is being required to carry on each phase of the operation.

Mr. HUMELSINE. I think I understand what you are driving at, and I will be glad to get that drawn up. If the chairman would permit, I would like to show it to you first in the draft form to see if we have what you are aiming at.

Mr. REECE. Mr. Chairman, in some meeting of Congressmen I was attending, someone made the suggestion about the overlapping of responsibility or operations of the ECA and the Voice of America in Europe, saying that the ECA is exercising a good deal of responsibility in that field.

I am not sufficiently well advised to know what they were talking about, but they spoke as if we had two pretty well-established voices there. One reached back to the ECA for its responsibility, and the other to the State Department.

Chairman RICHARDS. You will get those?

Mr. HUMELSINE. Yes, sir.

(The information requested is as follows:)

USIE RELATIONSHIP TO ECA

In the field of overseas information, the ECA and the State Department perform different and distinct jobs. Although the ECA uses many of the same techniques and media as the USIE, the division of labor between the two agencies is carefully worked out to avoid overlapping.

The principal distinction is this: ECA supports and defends its program in countries in which it operates and it reports on its activities to the United States. The State Department handles the rest of the United States information program.

In order to insure effective teamwork and to avert duplication, there are regular weekly conferences between the USIE officers and the ECA information officers in all the Marshall-plan countries.

The Department of State and ECA-Washington maintain continued close contact. As our economic and military aid programs change their scope and direction, changes will be made in our information programs to keep them in step and prevent the growth of duplication.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. No questions.

Chairman RICHARDS. Mrs. Kelly.

Mrs. KELLY. I have just one question.

Is it a requirement for all personnel overseas to be American citizens?

Mr. HUMELSINE. No, ma'am. We employ overseas a certain number of alien employees as support for some of these particular programs. There is a requirement that any officer of any responsibility be an American, and anyone who has access to any classified information has to be an American. We do have certain clerical people and custodial people, chauffeurs, and individuals such as that, who are aliens.

One of the main reasons we do that is from an economy standpoint, because it costs one-fifth as much to hire an alien as an American citizen when you take into account the salaries and the movement of families back and forth, and all the costs incident to keeping an American overseas.

Mrs. KELLY. All administrative positions are held by American citizens?

Mr. HUMELSINE. That is correct.

Mrs. KELLY. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Lanham.

Mr. LANHAM. No questions.

Chairman RICHARDS. Are there any other questions?

Mr. LANHAM. I might ask if these aliens are checked for loyalty?

Mr. HUMELSINE. Yes, sir. We check them for security.

Mr. LANHAM. I mean security.

Mr. HUMELSINE. Yes, sir. For security, but not for loyalty.

Mr. LANHAM. I meant security. I used the wrong word.

Mr. FULTON. Could I have one question, Mr. Chairman?

Chairman RICHARDS. Yes.

Mr. FULTON. Under section 16 of the Displaced Persons Act of last year, there was an authorization for countries that were overpopulated, for the transfer and emigration of their citizens to underpopulated areas of the world. Has there been any organization set up under the ECA Act by way of personnel to implement that section?

Mr. HUMELSINE. You will have to ask the ECA people on that.

Mr. ALLAN. What was the question?

Mr. FULTON. Will you read the question?

(Whereupon the question by Mr. Fulton was read by the reporter.)

Mr. ALLAN. I know we have some people in ECA in Washington who are actively concerned with that problem, but I do not think there has been a separate organization set up.

Mr. FULTON. Could you get that for us?

Mr. HUMELSINE. I know quite a little of that. We have a Special Assistant to the Secretary in the Department of State, a Mr. Robert West, who is Special Assistant for Migration Problems. His office consists of himself and a secretary. As I understand it, he is working on that field with Government agencies to try to implement that very requirement laid down that you mentioned.

I can get from him, I think, the type of information you are seeking.

Mr. FULTON. Would you please have him submit a statement to us for the record? I ask unanimous consent to put in the record at this point that statement as to the implementation of that section.

Chairman RICHARDS. Without objection, that statement will be forthcoming, you say, Mr. Secretary, and will be placed in the record at the point indicated.

(The information submitted by the Department of State is as follows:)

The Department has been aware of the intent of the Congress to facilitate the movement of surplus manpower from Europe, including persons of German ethnic origin, as expressed in section 115 (e) of the ECA Act of 1948, as amended; section 16 of the Displaced Persons Act of 1948, as amended; paragraph 6, page 87, of the report of a special subcommittee of the Committee on the Judiciary, House of Representatives, No. 1841, Eighty-first Congress, second session; and the statement made on the floor of the House by Congressman Walter, on June 22, 1951, in connection with the extension of the Displaced Persons Act, as amended (Congressional Record, 82d Cong., vol. 97, pp. 7149-7150).

Acting to carry out the intent of the Congress to increase the movement of surplus manpower from Europe, the Department has held a number of informal consultations with other governments and with international organizations on this subject and in this connection has given special attention to developing ways and means of continuing the operation of approximately 12 ships already reconverted for this type of movement, which the International Refugee Organization will relinquish for other services upon its termination before December 31, 1951. A plan of operation has emerged from these conferences involving the continuing use of these ships under other auspices than the IRO in the service of moving surplus manpower from Europe. This plan envisages, in the first instance, the calling of a conference of approximately 20 governments at the earliest possible date, at which time the plan may be submitted for amendment and approval of these governments. The 20 governments would represent countries of emigration, immigration, and certain other countries which have an interest in reducing the pressures of surplus manpower in Europe.

The plan envisages the establishment of a provisional arrangement among these governments, under which the IRO ships will be taken over, as relinquished, for the movement of surplus manpower from Europe which would not otherwise be moved by present unilateral and bilateral arrangements. Estimates based on accumulated experience suggest that 100,000 additional persons could be moved in a full year of operations at a cost of approximately \$30,000,000, covering all administrative, processing, and ocean transport expenditures. Of these costs, \$10,000,000 might come from ECA funds, although the ECA has not taken

this into account in its present request to the Congress for funds; \$10,000,000 from funds of countries of emigration in Europe; and \$10,000,000 from immigrant receiving and other countries concerned with the pressures of population in Europe.

In the light of the expressed interest of other governments in the plan, there is reason to believe that \$20,000,000 of the total funds required for a full year's operation will become available from these governments.

Acceptance of this plan involves a commitment to participate for 1 year by the concerned governments, including the United States, in this provisional arrangement. It is recognized that the maintenance of these shipping facilities in operation will only partly resolve the problem of emigration of the substantial Europe and who desire resettlement opportunities overseas. Feasible plans for the resettlement of larger numbers will be presented to the Congress as they develop. It would seem wasteful and uneconomical to permit these shipping facilities to be disbanded at a time when plans for the movement of larger numbers may emerge. Any commitment of United States participation beyond 1 year in a further migration program, however, will be a matter of later presentation to the Congress. The Department of State is prepared to proceed with this plan to afford facilities to move an additional 100,000 persons provided ECA funds in the amount of \$10,000,000 are assured for this purpose.

Mr. FULTON. Under the ECA Act, as we passed it, there was a section which provided for the discovery of the assets of aliens of the ECA countries in this country and the possible application of those assets toward the program. There was some feeling that various nationals of certain ECA countries, I believe, and also Greece and Turkey, were not sharing the tax burden or the other burdens that should be shared within each country. This is the problem of flight capital.

Could you tell us what the organization is working on implementing that section and what are the results, if any, to date?

Mr. HUMELINE. On that, again, I am not familiar intimately with the organization of the ECA.

Mr. ALLAN. I will see that there is an answer on that.

Mr. FULTON. I ask unanimous consent to put that report in the record on the progress made on that phase.

Chairman RICHARDS. Without objection, that will be done.

(The information requested is as follows:)

UTILIZATION OF ALIEN ASSETS IN CONNECTION WITH FOREIGN-ASSISTANCE PROGRAM

The question has been raised as to what type of organization ECA has established to assist the participating countries in locating, identifying, and putting into appropriate use foreign assets and earnings therefrom located in the United States. The question has also been raised as to how successful participating countries have been in mobilizing these assets.

ECA legislation does not require the agency to establish an administrative staff for the purpose of assisting countries receiving ECA aid in mobilizing the gold and dollar assets of their nationals. However, the United States Government has taken steps to assist such mobilization. These steps were taken by the Foreign Funds Control Division of the Treasury Department in connection with its program of unblocking assets which were blocked during the war. The program involved three principal elements:

1. Public notice was given that at the end of the specified period assets not certified by the foreign governments are free from enemy taint would be transferred to the jurisdiction of the United States Alien Property Custodian.

2. Accounts containing amounts of property, less than \$5,000, were unblocked unless a known amount of enemy interests existed.

3. A new census of assets in the United States held by foreign nationals was taken and the information gained was made available to the governments of the countries receiving United States aid.

It has been argued that the participating countries should pay for a part of the aid program by utilizing their gold and dollar assets in the United States by

liquidating the American investments of their own citizens. In this way it has also been asserted that the liquidation of these assets would constitute a means of relief to the American taxpayer. The ECA consulted on this matter with the National Advisory Council on International Monetary and Financial Problems. The conclusion was reached that it would be unwise for the United States to force the European countries to liquidate their gold and dollar balances in order to finance their dollar costs. This dissipation of gold and dollar balances would add element of instability to the monetary systems of these countries. Moreover, investments in the United States earn an income which can be used to defray part of the cost of European requirements during the life of the program and in subsequent years. To force the liquidation of invested assets would weaken the balance-of-payments positions of the participating countries in the future. Accordingly it was concluded that liquidation of dollar assets should not be a condition to aid under the European recovery program, but that assistance should be given to the participating countries in obtaining control of these assets along the lines indicated above.

Participating countries have taken steps to mobilize assets, additional to the steps taken by the United States. The sections following will describe briefly the various measures taken by the participating countries.

The Austrian Government has required that all foreign assets of its citizens be registered with the Austrian National Bank, and that all earnings therefrom be sold to the national bank. Further information on Austrian foreign assets was made available to the Austrian Government by the United States Alien Property Custodian.

Belgium has sought to integrate the problem of repatriating foreign assets with its general economic policy of free enterprise. By restricting internal credit, the Belgian authorities have induced private holders of foreign assets to repatriate them in substantial amounts, particularly in the early years after the war. This was done without introducing direct controls or surrender requirements. There are no plans to introduce such controls or requirements at present.

Danish laws require that all dollar assets held by Danes must be declared and, except for certain assets, like stocks and bonds, must be repatriated. In case of stocks and bonds, regulations do not require that these be sold, but do require that interest on them must be returned to Denmark.

The French Government has taken measures both to stimulate voluntary repatriation of French capital abroad, and also measures to force such repatriation. These measures, together with the actions of the United States Treasury, referred to above, have resulted in substantial repatriation of French capital. According to figures issued by the French Government during the period February 1-20, 1948, \$112 million of French dollar assets were repatriated, of which \$58 million were in Swiss dossier. As of June 1, 1948, a census of assets in the United States belonging to French nationals indicated holdings totaling about \$59 million.

There are no German national assets in the United States. Such assets were sequestered by the United States at the beginning of World War II, and no foreign investment of any consequence has been permitted Germany in the postwar period.

Under legislation of January 1949 all Greek nationals, not permanently registered abroad, were required to declare all assets held in the United States. Individual holdings, in excess of \$10,000 per person, were required to be reported. In February 1950, legislation required that 20 percent of such assets be transferred and utilized in Greece for the repatriation of the economy. No comprehensive information is presently available on Greek dollar assets. According to the July 1951 issue of International Financial Statistics published by the IMF, dollar exchange in the United States banks owned by Greek businesses and individuals totaled \$6.5 million as of May 31, 1951.

The Icelandic Government has indicated that it does not have information on assets held by its nationals in this country. Such assets are believed to be exceedingly small.

Italian assets in the United States are subject to stringent controls exercised by the Italian Government over all foreign exchange assets. Italian nationals are prohibited from holding Italian assets in this country except for the purpose of enabling business concerns to maintain adequate working balances and except for the so-called 50-percent accounts, i. e. 50 percent of foreign-exchange earnings retained by exporters to retain 50 percent of their receipts in dollars. Holdings in these accounts remain normally at about \$10 million. All Italian long- and

short-term assets in the United States are the property of the Italian Government with the exceptions noted above. The earnings derived from such assets revert to the Italian Government.

The Netherlands Government has taken severe measures to acquire control of the dollar assets of its private citizens. Dollar balances with United States banks were taken over by the Government in exchange for guilders, except for such dollar assets as were required for working needs. Dollar securities must be registered with the Government. In this connection, the assistance of the United States Government referred to above was of great help to the Netherlands Government in uncovering such securities. It is reliably estimated that some \$155 million in dollar assets have been liquidated by the Netherlands in the postwar period.

Norway has very stringent control over the use of foreign currencies. In 1948 the Norwegian Embassy utilized all sources available to it for locating the payment accounts belonging to Norwegian citizens and companies in the United States. Inheritances to Norwegian citizens from the United States must be paid to the Embassy in dollars, and the Norwegian Government in turn disburses the Norwegian kroner equivalent. All countries are required to file a report on their dollar earnings.

Turkish nationals do not hold important amounts of foreign capital. But Turkey has taken several steps lately to tighten up control on export proceeds to prevent circumvention of exchange control, and the illegal accumulation of exchange assets.

Wartime exchange control regulations in the United Kingdom authorized treasury to regulate all foreign exchange transactions, and the Government was given the power to requisition foreign securities in exchange for sterling. During the war period very large amounts of such assets were liquidated in order to finance war costs. The Exchange Control Act of 1947 provided a permanent legislative basis for control of foreign-exchange transactions, but did not renew the power on the part of the Government to requisition foreign assets. However, at the present time all residents of the United Kingdom are obliged to surrender to an authorized dealer all receipts of dollars derived from foreign assets held abroad, in return for which they receive sterling.

Mr. FULTON. Could I make one further explanation on my first previous question?

I refer specifically to the Walter amendment to the ECA bill on the immigration problems of overpopulated States.

Chairman RICHARDS. Thank you very much, Mr. Humelsine. It is good to have you with us again.

Mr. HUMELSINE. Thank you, Mr. Chairman.

Chairman RICHARDS. The next witness is Mr. Casper W. Ooms, consultant to the Secretary of Defense on patent matters.

Mr. Ooms, you have a prepared statement you wish to make, do you not?

STATEMENT OF CASPER W. OOMS, CONSULTANT TO THE SECRETARY OF DEFENSE ON PATENT MATTERS (PATENTS)

Mr. Ooms. I have, Mr. Chairman, and I can hand it in, however, if the committee finds it most useful to have that done.

Chairman RICHARDS. It is a very short statement. Suppose you go ahead and make that statement and see if there are any questions.

Mr. Ooms. I shall do that, Mr. Chairman. I shall not object to any questions that arise even while I am reading the statement. It will not interfere at all.

Mr. Chairman and ladies and gentlemen of the Congress, my name is Casper W. Ooms. I am an attorney with offices in Chicago, where I have specialized in patent law for more than 20 years. From 1945 to 1947 I served as United States Commissioner of Patents. Since that time I have contributed my services on a part-time basis as Chairman

of the Patents Compensation Board of the United States Atomic Energy Commission, as a member of its Patent Advisory Panel, and as patent consultant to various Government departments and offices. I appear here as a consultant to the Office of the Secretary of Defense to render what help I can in respect to section 509 of the mutual security bill (S. 1762).

The inclusion of section 509 in this bill was intended to accomplish several things to improve the efficiency of this program.

1. In the first place, the section would make unmistakable that the use of patented inventions in the advancement of the purposes of the act would be used "by or for the United States" and placed upon the same basis that has been established since 1910 for patented inventions used by or for the United States. Legislation has for more than 40 years provided that the usual remedies, particularly the injunction, of patent owners shall not be available where the invention is used by or for the Government.

The purpose of this legislation has been to prevent the interference with manufacturers of military equipment by injunction, and to prevent numerous suits in scattered places against subcontractors and others who may participate in the manufacture of equipment for the Government. The patent owner retains his full right to damages for any infringement that may occur, but must prosecute his suit directly against the United States in the Court of Claims. Since the United States Government would be ultimately liable anyway, no new burden is placed on the Treasury by this proposal.

In view of the fact that the bill before you provides for assistance to other nations, which may involve procurement directly by them or for them, using United States Government funds, the question immediately arises whether such procurement and the manufacture pursuant thereto, is subject to the normal patent remedies or is subject to the special provisions which have long been effective with respect to manufacture which can be more directly identified with the United States. This section eliminates any such question and merely classifies the activities which this legislation contemplates with manufacture by or for the United States. It involves no change in the patent law and no novel procedure.

2. The second effect of this section would be to group with patented inventions special types of information, secretly kept, such as secret processes, designs, and know-how employed in this program. I am talking about trade secrecy in this connection, not secrecy for reasons of national security. The former type of secret information has always been protected at common law in this country, both by injunction and damages, and section 509 recognizes this, but remits the owner of such information to the single remedy of a suit directly against the United States in the Court of Claims.

It is to be observed that the type of information for which this remedy is provided is carefully specified by section 509 (a) (ii) as—

1. "peculiarly within the knowledge of its owner";
2. "not available to the public"; and
3. "subject to protection as property under recognized principles."

This definition should insure that any disclosure which might have to be paid for under this section will be one upon which there would be an unquestionable right to recover at law.

Further, if the Government or any of its agencies has independently arrived at the information before any disclosure thereof was made to the United States by any claimant under this section, that would constitute a complete defense to such claim. That would meet the situation, which not infrequently arises in the development of weapons, that designs are made or processes developed by our own services and agencies which are not put into immediate use or published, but filed away. Subsequently the need for employment of this information arises and it is put into use. Meanwhile, the same information may have been independently arrived at by an individual who submits it to the Government.

Regardless of the value of the information, obviously the Government should not be required to purchase what it had previously acquired by its own efforts and expense.

This principle has been written into section 509, beginning at line 12 on page 15 of S. 1762 through line 3 on page 16.

I am informed that some apprehension is felt outside the Government over the possible ramifications of putting this language into the law. Since it is intended only to state existing principles as to defenses in suits of this type, it can be deleted without harm.

Section 509 involves no legal novelties. It should encourage the submission of information of this special character, as it is one of the few statutory expressions to give it recognition. In addition, it will enable the Armed Services, which are now in possession of information procured in various ways during the enormous procurement program of World War II, to employ that information in furtherance of this assistance program with assurance that any owner of it is protected in any rights he may have in the information.

The other provisions of the section are conventional. They expressly authorize Government departments and agencies to settle or compromise any claim made under the section, and they contain the usual provision against claims by Government employees arising from the use of inventions or information developed by Government employees. The latter is based entirely on existing law; i. e., section 68 of title 35 of the code.

In brief, this section creates no new liabilities, but does clarify a few questions that might embarrass the procurement under this legislation. Actually, the problem to which the section is addressed is a simple one which should raise no substantial obstacles, but it is one of those intangible difficulties which raise questions in the minds of contractors and the procurement services and thus create a problem. This section should answer those questions and eliminate the problem. For this reason, I believe it should be incorporated into the act.

I should like to add that this proposal has been discussed from time to time with a group of lawyers representing private industry who have been asked to give their advice in this field. They were selected on the advice of the Department of Commerce through the medium of various well-known trade associations. It was they who urged the omission on page 15 that I have already endorsed.

I believe it is accurate to state that, with their help, we have eliminated from this proposal anything that would be opposed by private industry. It must be borne in mind that one of the two chief purposes

of this proposed section is to assure private owners of inventions and know-how of their just compensation. The other purpose, of course, is to further the Mutual Defense Program.

I might say, since I prepared this statement last week it occurred to me that the problem of a statute of limitations from the time when these claims may be submitted has been raised. The usual statute of limitations in patent matters is 6 years. For private litigation, that is quite generous and completely adequate. However, in view of the provisions which are common in Federal legislation that the claims may be administratively determined, and because of the fact that frequently that consumes a great deal of time, it has been proposed in the code which is now pending under the general revision of the Patent Act that the statute of limitations shall be tolled from the time such a claim is administratively presented and answered by the Government.

In other words, the citizen who has the claim should not be penalized by the fact that the claim may take a year or two in processing in one of the Government departments.

Accordingly, with the approval of the various services who have been consulted about this act, I have a brief amendment which I am suggesting to care for that.

Mr. FULTON. Could you restate that again as to when the statute is tolled, specifying the exact time period?

Mr. Ooms. It would be from the time that the claim is first presented to one of the Government bureaus.

Mr. FULTON. Formally?

Mr. Ooms. By a letter. That is considered formal for the presentation of any of these claims. When that first claim is passed upon by the particular bureau. In other words, we want to protect the man against the delays that are natural in the bureau handling of claims of this type. We do not want to give him the opportunity of presenting the claim first to the Defense Department and getting it turned down there in a matter of months, and then going to the Atomic Energy Commission and waiting another few months, and then going somewhere else and repeating the process and filing the same claim repeatedly, and adding in the 6 years provided by statute he has ultimately some 10 years. That is one of the exigencies that the language is designed to protect against.

The presentation of the claim and the time of intervention between its first presentation and its first disposition which will be taken are added to the 6 years, and that alone will toll the statute. Have I made it clear?

Mr. FULTON. Yes, but I wonder if it is compounding confusion by having these people make the claim to a number of departments. While a claimant is held up by those departments probably for a very good reason, that the United States is so busy on defense orders and we cannot take care of those things, the claimant's time runs out. I mean, will this not fool the average citizen?

Mr. Ooms. The thought is that he will present the claim to the service which is most directly involved.

Mr. RIBICOFF. My understanding is just the opposite. This tacks it on and gives him extra time, and does not take it away.

Mr. FULTON. Yes, we know the extra time is given to the claimant, by extending the statutory times. The point I am making is this:

The claimant is probably dealing with the Atomic Energy Commission, the Defense Department, the Army, the Navy, and maybe the Air Force.

Mr. OOMS. Normally not.

Mr. FULTON. But the claimant could be under this system. Then he is refused in one department, but he still is being carried on by the others possibly without any decision.

Mr. RIBICOFF. No. What I understand Mr. Ooms is saying is that the man had a 6-year statute of limitation. He files a claim with the Army, and then no action is taken for a year. That is then tacked on. That is not deducted away from the 6 years.

Is that right?

Mr. OOMS. It is tacked on.

Mr. FULTON. Yes; of course, that is not the question.

Mr. RIBICOFF. It is extra time that he has.

Mr. OOMS. Yes.

Chairman RICHARDS. One man to a witness, please. We will proceed under the 5-minute rule here. I will start at that end of the table.

Mrs. Kelly.

Mrs. KELLY. I have no questions.

Chairman RICHARDS. Mr. Reece.

Mr. REECE. The elimination of this language you suggest on page 3 of your statement would not impede the defense effort in any way, would it?

Mr. OOMS. I think not. It was merely an expression of a recognized defense at law. There may be a few cases that are not in complete agreement with the majority of the decisions, but I am convinced that the expression of the defense in the statute was merely the recognition of an established and widely accepted legal principle; so, it will not be impaired by deletion of the provision.

I might add, I have a copy of the statute here marked up to follow the suggestions I have made in my testimony.

Chairman RICHARDS. Is that all, Mr. Reece?

Mr. REECE. Yes.

Chairman RICHARDS. Mr. Hays.

Mr. HAYS. No questions.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. Mr. Ooms, how would these suggested amendments affect a situation of this kind that we ran across when we were overseas? We found that the NATO there was trying very hard to get some 155 millimeter howitzers built in both France and Italy. They ran into a situation where they found there were some 1,500 different patents that had been taken out on different parts of that gun as manufactured here, and were unable to get a clearance there so as to allow the foreign manufacturer to start in and get the blueprints and go ahead in making those standard guns.

Would this language of yours simplify this situation?

Mr. OOMS. I think it would, and I think that is just a typical situation to which this provision is addressed.

Mr. HERTER. Is that the kind of situation this is meant to cover, as well as any other?

Mr. Ooms. Exactly. That is very frequently encountered. You do not want to put the small manufacturer, who may be a subcontractor down at the end of the line, to the burden of determining whether he can truly go ahead on behalf of the United States. So what you do is concentrate all of the responsibility in the United States and require a single suit to be brought against the United States by the owner of any of these patents.

Mr. HERTER. Assuming these guns are being made on designs furnished by the United States to a foreign government for its own account, then what happens to the holder of the patent rights?

Mr. Ooms. The holder of the patent rights, unless he had foreign patents corresponding to those in the United States, could do nothing about it. That is, there are no rights. The right of the patent extends only to the borders of our own sovereignty. Unless there were comparable foreign patents, if all the manufacture were done abroad, there would be no patent liability whatsoever.

Mr. HERTER. Even though the particular design which was patented in this country had been given by our Government to another government to operate on?

Mr. Ooms. It would make no difference as far as patent liability is concerned. Once the patent is published in the United States and there are no corresponding foreign patents, that invention may be made anywhere in the world, because the publication of that patent is a book that is circulated throughout the world, and anybody who wants to follow its teachings may do so, and there is no liability.

If the Italian and French manufacturers performed all the work in their own country and there were no corresponding French and Italian patents, there would be no problem at all. But there frequently are corresponding foreign patents and they raise the problem.

If that were procurement for the United States and there were a United States patent and any part of the work was done here which ran into one of the 1,500 patents—although that figure may be a little high—

Mr. HERTER. It sounds a little excessive.

Mr. Ooms (continuing). The suit would have to be brought here in Washington in the Court of Claims against the United States and the work would proceed without any interference.

Chairman RICHARDS. Are you through, Mr. Herter?

Mr. HERTER. Yes.

Chairman RICHARDS. Mr. Ribicoff.

Mr. RIBICOFF. I have no questions.

Chairman RICHARDS. Mr. Fulton.

Mr. FULTON. I do not want to give the impression that anyone at the table believes that tolling the statute cuts down the 6-year period. It does not. It adds to it. However, the question is, if the claim is to be made to one Government department, and then on the date of the decision by that department the statute is tolled and begins to run again from the time of the decision, might not the average person be confused if he is still being held up by other departments without their having made a decision?

I wonder, as a result, if in the statute we should not be definite and have some set-up specifically designating where all claims are

to be made, and where all of this time element is to be worked out. You see what I mean, do you not?

Mr. Ooms. I see what you mean. May I make these few suggestions that arise out of a little familiarity with the program in the field? Usually the man who makes the claim gets to the right department immediately. The bicycling efforts between departments occurs usually on the part of the man who does not have a real claim, and it is not a bona fide claim. He thinks he has, but he does not have one. He mistakenly goes about. But when the claim is presented to one of the services there is usually consultation to determine just where the claim should be presented, and the man is told quite promptly that he has made his claim to the wrong department.

Now, Captain Robillard is here from the defense services, and he has had a great deal of experience with this procurement, and he can go into that further with you, Mr. Fulton.

However, I think that the 6 years, plus the time for handling the first claim, will meet every practical situation which I can think of.

Mr. FULTON. Could I hear your amendment which you propose to meet the particular problem?

Mr. Ooms. Yes. I would be happy to read that. I am going to leave the copy, if I may, and ask that it be incorporated here: The amendment would read as follows—it would be section 509 (e), and it would read as follows:

Except as otherwise provided by law, no recovery shall be had for any infringement of a patent committed more than 6 years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt by the Government of a written claim under subsection (c) above for compensation for infringement of a patent and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the 6 years unless suit is brought before the last-mentioned date.

Mr. FULTON. May I comment on that? Why do you state it as the date of the receipt by the Government of a written claim? Why is it the receipt of the claim by the Government rather than the time of posting or a registered mail notice?

Mr. Ooms. I think the proving of the receipt by the Government records is a much more reliable method of doing it.

Mr. FULTON. With whom have you cleared this particular section 509? Have you cleared it with Westinghouse Electric, United States Steel, Jones & Laughlin, Koopers Co., and others involved?

Mr. Ooms. I would like to submit for the record, if I may, Mr. Chairman, the list of the industry people who have been consulted. They have been consulted on 509 (e) also.

Mr. FULTON. I will ask unanimous consent to put that list in the record.

Mr. GORDON (presiding). Without objection, it will be placed in the record.

(The list referred to is as follows:)

ADVISORY COMMITTEE ON PRODUCTION INFORMATION

At the suggestion of the Department of State, the Department of Commerce invited representatives of a number of well-known associations and manufacturers in industry to participate in discussions on the question of patents and information arising in the Mutual Defense Assistance Program. As a result, the individuals named on the attached list have participated in this Committee.

Advisory Committee on Production Information

Member	Representing—	Membership in other patent associations
Mr. George C. Arvedson, Automobile Manufacturers Association, 320 New Center Bldg., Detroit, Mich.	Automobile Manufacturers Association.	American Patent Law Association, section of American patent, trademark, and copyright law of the American Bar Association.
Mr. F. J. Curtis, Monsanto Chemical Co., 918 16th Street NW., Washington, D. C.	Chemical Industry.	
Mr. J. E. Dickenson, United Engineering & Foundry Co., 943 Duquesne Way, Pittsburgh, Pa.	Engineering equipment industry.	
Mr. J. M. Hadley, Bendix Aviation Corp., 1333 G Street NW., Washington, D. C.	National Security Industrial Association.	
Mr. Martin E. Hogan, Jr., Glenn L. Martin Co., the Glenn L. Martin Co., Baltimore 3, Md.	Aeronautical equipment industry.	American Patent Law Association, section of American patent, trademark and copyright law of the American Bar Association.
Mr. Edward D. Phinney, International Telephone & Telegraph Corp., 67 Broad Street, New York, N. Y.	National Foreign Trade Council.	American Patent Law Association.
Mr. B. E. Shackelford, Radio Corp. of America, 30 Rockefeller Plaza, New York 20, N. Y.	Electronics and electronic equipment industry.	
Mr. F. Gerald Toye, General Electric Corp., Munsey Bldg., Washington 4, D. C.	National Association of Manufacturers.	2d vice president, American Patent Law Association, section of American patent, trademark, and copyright law of the American Bar Association.

Mr. SMITH. There is nothing secret about it, is there?

Mr. Ooms. Oh, no. There is nothing secret about it. They were selected by various associations, such as the National Association of Manufacturers, the Automobile Manufacturers Association, the National Foreign Trade Council, the engineering equipment industry, the aeronautical equipment industry, the electronics and electronic equipment industry, the chemical industry, and the National Security Industrial Association. They took patent men from the large companies, such as United Engineering & Foundry Co. of Pittsburgh, the Glenn L. Martin Co. of Baltimore, RCA, General Electric, Monsanto Chemical Co., Bendix Aviation, and the International Telephone & Telegraph Corp.

Mr. FULTON. What associations of attorneys have approved it?

Mr. Ooms. I do not know.

Mr. FULTON. Any patent associations?

Mr. Ooms. I do not know to what extent they have been consulted. My last meeting was with this group.

Mr. FULTON. Would you submit that for the record later?

Mr. Ooms. I would be happy to.

Mr. FULTON. I have been advised you have taken out section (e) of 509 which is really a protection for Government employees against fine for disclosing of secrets in their necessary duties. It will not submit it here, nor take the time of the committee, but I have a very strong complaint from an industrial company in Pittsburgh concerning what it considers very secret processes involved in a disclosure by Government employees. The complaint covers things they feel are vital to the defense of this country and vital to their company. I can give you that later, if you like.

Mr. GORDON (presiding). Your time is up, Mr. Fulton.

Have you any questions, Mr. Carnahan?

Mr. CARNAHAN. No questions.

Mr. FULTON. Would you yield your time to me for one more question?

Mr. CARNAHAN. I will yield to the gentleman.

Mr. FULTON. The question comes up too on the the use of foreign patents in the defense program. The question comes up, how should we implement that? There is no doubt that under this bill all the patents of United States citizens and United States patents will be open to the program and subject to later suit before the Court of Claims as to determination of the damage done to the individual.

Should we have in this bill some sort of a prior condition which recipient countries should accept, which is a reciprocal arrangement, stating that they too will do as we are doing with our patentees?

Mr. OOMS. May I defer to Mr. Cardozo of the State Department on that? That is being worked on. I have forgotten the name of the documents, but a series of negotiations and agreements are being worked on between the various governments to take care of that situation.

Mr. FULTON. I say that because I think some of our companies would likewise like to have ready access to these foreign patents, which I understand in many cases are being very zealously guarded.

STATEMENT OF MICHAEL H. CARDOZO, ASSISTANT LEGAL ADVISER FOR ECONOMIC AFFAIRS OF THE DEPARTMENT OF STATE

Mr. CARDOZO. I am the assistant legal adviser for economic affairs of the State Department.

In the Mutual Defense Assistance agreements there was a mention of the patent problem, and that subsidiary agreements would be made between the United States and the NATO countries, covering the question of the use of patents and their use in the program. In accordance with that we have started negotiating agreements with all the countries, looking toward the use of patents and patented information for the furtherance of the program.

We have gotten to the point where we have a draft agreement which we are about to submit to the other countries, in order to assure that the program would not be impeded in any way by difficulties in getting patent licenses and know-how, and at the same time protecting the rights of the patent holders and of the originators of the know-how.

One of the problems in this connection has been that once know-how is revealed, there is no way of getting it back and preventing its use in commercial fields. So one of the things we want to be sure of is that when it is revealed for defense purposes the originator of it will be contacted and will get proper compensation if it is used for any other purpose.

Mr. FULTON. Then another point that should be raised is the protection of the United States Treasury as to the amount of the claim allowed to a foreign patentee on a foreign patent, because there may not be the same resistance in the foreign government to the payment of a claim when it can be easily seen the United States taxpayers will do the footing of the bill.

What kind of protection do we have there? Do we have a consent of the United States Government required as to the payment of claims on foreign patents by foreign governments under this program?

Mr. CARDOZO. If you are talking about a patent taken out in the foreign country—

Mr. FULTON. In the foreign country and used in this program.

Mr. CARDOZO. It is very unlikely that the United States would pay anything on that unless the patent holder were an American citizen. In some cases we might pay his claim against the other government for its use of his patent in the Mutual Defense Program. If the patent is in this country and we are using it for production for defense purposes, then the United States Government would be liable to the patent holder. If that patent holder is a foreigner, in some cases, we will ask the other governments to pay him the royalties under that patent.

Mr. FULTON. But we in the United States do not have any say as to how large a payment will be made when we are interested in the amount because of our making up the deficit in the foreign government's military program?

Mr. CARDOZO. If the foreign government pays him they would pay him in local currency and you would not be concerned with the amount that they pay him. If we pay a foreigner who has a patent in this country it would only be in accordance with the rules and standards of how much we would pay any patent holder in this country. If he were not satisfied with what he was offered he would have to sue in the Court of Claims and get his regular allowance.

Mr. GORDON (presiding). Your time is up, Mr. Fulton.

Mr. FULTON. Mr. Chairman, could I finish with this?

Could you submit to us either a form of amendment to protect that situation, or give it to us in the form of a paragraph or two that should be put in the report to settle that question, because that would be immediately questioned by businessmen in some of our industrial areas.

Mr. CARDOZO. Yes, sir.

Mr. FULTON. Thank you very much.

Mr. RIBICOFF. I have a question. That is not to be the policy, is it? I assume the committee will have an opportunity to pass on what Mr. Fulton's suggested amendment is.

Mr. FULTON. Of course. They are just submitting a form for our study.

(The information, supplied by the Department of State, is as follows:)

Mr. Fulton asked what measures were being taken to protect the United States Treasury from claims by foreign nationals in case the other governments are not as careful to defend against such claims as the United States. It must be emphasized that the United States Government has not undertaken to indemnify the other governments against claims filed against them arising out of the use of patented inventions and information. In some selected cases, the United States may pay the claims of American nationals against other governments, when such claims are based on foreign patents used in the Mutual Defense Program. In such cases, the transactions will be carefully scrutinized in order to assure that no more than the necessary amount will be paid. Some experience in this field was gained in World War II and no difficulty was encountered in protecting the interests of the United States when such claims were paid.

Mr. GORDON (presiding). Mr. Smith.

Mr. SMITH. Did much of this develop in World War II?

Mr. OOMS. Considering the size of our procurement, I would say it was a trifling amount. I do not know the amount of claims pending

now in the Court of Claims, but it is very small considering our activities.

Captain ROBILLARD. It is very small.

Mr. SMITH. What would be the particular need to throw in these safeguards such as you are proposing now?

What I am worrying about now is not the big fellow whose rights might be trespassed on, but the little fellow who has a very little patent claim, and what he is getting here is a good lawsuit. In the time it takes to adjudicate these matters in the Federal court he might be dead and buried and his heirs might still be in court. There is no relief from that kind of situation, is there, for the smaller concerns or individuals?

Mr. OOMS. No. There is not, excepting just the general improvement. There has been a very marked improvement in the handling of these claims in the Court of Claims. They are moving through right along. There is no relief any other way. That is, if a small manufacturer had a suit against a contractor or subcontractor way down the line in this procurement line he would encounter the same delays.

I would question, if it were shown the procurement were for the United States, if any court would issue an injunction. The matter of determining liability would take just as long in the district courts throughout the country as it would in the Court of Claims.

Mr. SMITH. Would it be advisable, do you think, in this legislation to set up some kind of mediation board?

Mr. OOMS. I think it would. Not in this legislation, Mr. Smith. The purpose here is too limited. There is a movement under way now to set up an Inventors Award Commission that will have a much more extensive jurisdiction over all of these types of problems. They are recommending it in almost every type of legislation you get for military procurement.

Our present situation has been a patchwork one, which should be met by just such a commission as you contemplate, which would have jurisdiction over this type of thing.

We have a small one in the Atomic Energy Commission. It has been running now for 4 years, and there have been only 10 claims filed, 7 of which have been disposed of. Three of us are sitting on the board. Two of the men are leading industrialists, and I happen to be an attorney. We donated our services. They are getting along very well. That could be done on a much broader basis, but I think to put that specialized type of thing into this legislation would be a mistake.

Mr. SMITH. That is all. Thank you.

Mr. GORDON (presiding). Mrs. Bolton.

Mrs. BOLTON. No questions.

Mr. GORDON (presiding). Mr. Javits.

Mr. JAVITS. Thank you, Mr. Chairman. I have no questions at this point.

Mr. GORDON (presiding). You may ask a further question, Mr. Fulton.

Mr. FULTON. The set-up in World War II had some sort of an agency where inventors put their ideas in. That was a quasi-Government agency. What was that?

Mr. OOMS. The National Inventors Council, Mr. Fulton.

Mr. FULTON. And the inventors would write in to that National Inventors Council during World War II, would they not?

Mr. OOMS. That is correct.

Mr. FULTON. That would be a Government agency to the inventor, would it not?

Mr. OOMS. It was, except that it was completely manned, with the exception of a half a dozen service people and the Commissioner of Patents—it was completely manned by industrial representatives, such as Charles Kettering, of General Motors; and Zeder, of Chrysler; and Coolidge, of General Electric; and a group of that type of men.

Mr. FULTON. Is there any similar agency for this defense production program?

Mr. OOMS. That same agency has been continued. It has been given some encouragement and is being revived for this purpose. It is continued on a stand-by basis, but it is now being recognized and reestablished for this purpose as well as all other purposes.

Mr. FULTON. When the inventor under this defense program writes in to this agency, stating what his invention is, will that be considered an appropriate Government agency for making a record for him or making a decision?

Suppose he writes into that agency and it is 4 or 5 months before they make a decision as to whether they like it or not? Is the inventor's time for filing his suit then tolled for the amount of time that this agency takes to make a decision?

Mr. OOMS. No. He has not at that time made any claims. There has been no controversy at that stage. He has merely submitted an idea. If it is an idea that the United States has begun to use and has procured from him, his time is running, and I think if he files a claim at any time that would toll the statute for that purpose, even though the claim were filed with the National Inventors Council. It is a Government Agency.

Mr. FULTON. That is what I wanted to get. How does this agency definition affect the tolling of the statute of limitations on the filing of the claim by the inventor?

Mr. OOMS. The proposed section, 509 (e), merely says, "Receipt by the Government of a written claim." The National Inventors Council is a governmental agency. You people make the appropriations for maintaining it.

Mr. JAVITS. Will the gentleman yield?

Mr. FULTON. I yield.

Mr. JAVITS. Would the record show as a completion of that question the statutory authority for that organization? I happen to know a good deal about the National Inventors Council because I dealt with it during the war as an officer in the Chemical Corps, and they were very good and very useful.

Mr. OOMS. I would be happy to provide that.

Mr. JAVITS. So that we are all sure that is so. I remember there was some doubt about that. It was supposedly just a tolerated affiliate of the Department of Commerce, as I recall it. I think the record ought to show some substantiation for your statement that it is a Government agency, that is, some Executive order or statutory authority.

Mr. GORDON (presiding). Without objection, it will be placed in the record.

(The information requested is as follows:)

NATIONAL INVENTORS COUNCIL

The National Inventors Council is described in the United States Government Organization Manual in the following terms:

"The National Inventors Council was created in August 1940, by the Secretary of Commerce with the concurrence of the President of the United States, to receive, evaluate, and pass on to appropriate branches of the armed services all inventions, inventive ideas, and new products and processes submitted by the public as a contribution to the war effort. It works in collaboration with the Army and Navy. Existing Army regulations require that all inventions submitted by the general public through the Department of the Army should be referred first to the Council.

"The Council embraces in its membership noted inventors, industrialists (experienced in the development of inventions), and public officials, including representatives of the Army and Navy."

In addition, by a letter to the Chairman of the National Inventors Council dated March 20, 1951, the Secretary of Commerce has delegated to the Council his responsibility under section 4 of Public Law 776, approved September 9, 1950, which reads as follows:

"The Secretary is directed to refer to the armed services all scientific or technical information, coming to his attention, which he deems to have an immediate or potential practical military value or significance, and to refer to the heads of other Government agencies such scientific or technical information as relates to activities within the primary responsibility of such agencies."

The expenses of the Council are paid out of funds of the Office of Technical Services of the Department of Commerce.

Mr. FULTON. Could I finish that line of questions? This is really important to us in Pittsburgh and it is the thing we are interested in. I think we are developing something of interest to the business people. It is important to those of us who are interested in these property and business rights.

Section 509 (e), as originally submitted, which deals with the protection of Government officers and agents against fine for the disclosure of necessary information in the course of their duties, has been deleted. Why?

Mr. CARDOZO. May I answer that?

Mr. GORDON (presiding). Yes, Mr. Cardozo.

Mr. CARDOZO. When we were working on the drafting of this provision we understood that a great many officers and employees of the service departments primarily were greatly concerned because they were unable to communicate know-how in the possession of the Defense Department to manufacturers and the like, for fear that if they communicated that information they would be subject to the penalty of the existing statute, which is a criminal law, 18 United States Code 1005. That law is so broad that it looked as though if they got any information in any way in the course of their work, even if it were not confidential information, they would not be able to pass it on.

So this provision was drafted in order to see that this program would not be impeded because those people would be unable to communicate the information. On further study of the section as to the history of it and the like, the conclusion was reached that they should not be concerned about the application of that law in connection with legitimate communication of information in the course of their employment.

Consequently, we concluded that if there was no improper action on their part and they were acting in the course of their employment,

that they would not be subject to criminal penalties. They are being advised in that sense, and therefore this section has been deleted.

We have made a suggestion to both committees that it be taken out. One reason for that is that as drafted this section in itself was too broad, going in the other direction, so we feel we do not need any such section.

Mr. FULTON. Could I state a situation then which raises bitter complaints and leaves people who are contractors in the defense program pretty much at sea. That situation is this: When the contractor feels—and he is a very loyal citizen in feeling it—that certain officers and agents of the Government are going clear beyond the scope of their duties, or are simply careless or thoughtless in disclosing vital information, then what can he do to stop it? I have a very large company with a very important officer in it writing to me as a Congressman, saying, "This is greatly interfering with our war effort, and if this disclosure continues we just supply information to foreign people who would be very anxious to get it."

How does the particular contractor, as a matter of implementation under this section, get a chance to state his claim? Could I ask the witness that? It seems to me deficient from the point of view of the patriotic American contractor unless he has some place to go to put his claim in that there is wrongful disclosure.

Mr. Ooms. I think, Mr. Fulton, that the language of this section 509—

Mr. FULTON. What subsection?

Mr. Ooms. (b) would cover that situation if he had secret information that was employed by others in pursuance of the military program. If he is damaged by that he can recover under 509 (b) (2).

Mr. FULTON. That is for his damages, but he wants to stop the disclosure from occurring rather than to get damages. As I said, he is a patriotic American and he will in this case not be interested to take damages. He just does not want the information disclosed and he has no place to go to stop it. Here he is on the end of a rope with no knot, seeing the disclosures made because he has started to disclose and then finds there is an irresponsibility that he thinks will endanger our country.

Is there any place he can go to complain, or can he get an injunction against such disclosure?

Mr. Ooms. I doubt that he can get an injunction, but the military services, I am sure, would be happy—not happy, but they would be receptive to any complaint of that character because it violates every tenet they have over there. It discourages the submission of very much needed information if it is freely passed out, contrary to regulations and contrary to the purposes for which it is submitted.

Captain Robillard, with his long experience, would be able to answer that. I suggest that not to dodge the question, because I think that that man, if his facts are correct, has a very proper complaint which the services will receive and attend to immediately, because it is a very discouraging thing in the procurement services.

Mr. FULTON. In this particular case the contractor is obviously not getting the results it thinks are necessary for the security of the United States.

Would it be possible to have such an agency set up in the mutual defense program that is on a policy level and over and above the

organization and administration level, where if a dispute occurred on the lower levels, or within an organization or between organizations in the defense program, that there is some place where you can have such a policy decision made?

Mr. Ooms. I am sure it could be done.

Captain ROBILLARD. May I answer that, sir?

Mr. FULTON. Yes; I would be glad to have your answer.

Captain ROBILLARD. Every contractor has the right of appeal to the contracting officer, and from there to the Secretary of the particular service. I am quite sure that if he followed it he would have no difficulty. As a policy—and a very strong policy in the Navy, and I understand it is so in the other two services—we do not disclose any information of any manufacturer without permission of that manufacturer. Unfortunately, there will be times when it gets out, but when you take the number of people and the amount of information we handle it is a little difficult to prevent altogether. The Navy Regulations 1265—

Mr. FULTON. I have no complaint as to the Navy, possibly because I was in it, but I will submit this case to you later rather than take the time of the committee.

Mr. Ooms. Mr. Chairman, may I leave with you the marked-up statute of the section which contains the changes I have discussed, and also the list of industrial representatives and the associations at whose behest they were respectively consulted with respect to the legislation?

Mr. GORDON (presiding). I want to thank you for your appearance this morning.

Our next witness this morning is Captain Robillard. Do you have a prepared statement, Captain?

STATEMENT OF CAPT. GEORGE N. ROBILLARD, UNITED STATES NAVY, ASSISTANT CHIEF OF NAVAL RESEARCH FOR PATENTS AND PATENT COUNSEL FOR THE NAVY

Captain ROBILLARD. Unfortunately, I do not have enough copies to go around.

I am Capt. George N. Robillard, patent counsel for the Navy and appearing for the Department of Defense. May I say here that the similarity between my own and Mr. Ooms' statement is purely coincidental. We did not exchange notes until we got into this room this morning.

If the committee please, my remarks will be directed solely to section 509. The primary purpose of this section is to vest the Court of Claims with jurisdiction, when in connection with the furnishing of military assistance in furtherance of the purposes of this Act—

(a) infringement of a United States patent occurs; or

(b) an owner of proprietary information is damaged by the disclosure of the information by reason of acts of the United States or its officers or its employees.

In either instance, the remedy of the owner shall be by suit against the United States in the Court of Claims for reasonable and entire compensation.

The Department of Defense considers it essential that such jurisdiction be vested in the Court of Claims, in order to assure an uninterrupted flow of materials for the purpose of military assistance.

Considering patent infringement, the Court of Claims presently has jurisdiction when the infringement is by the United States, or by those acting for the United States. The controlling statute is 28 United States Code 1498 but the court has had jurisdiction for acts of patent infringement by the United States since 1910. In 1918 the jurisdiction was broadened to include acts of infringement by those contracting with the United States. The purpose of broadening the jurisdiction was to prevent a patent owner from bringing suit in a district court against a contractor with the Government, obtaining an injunction, and thus prevent the flow of essential materials to the Government.

For the purposes of military assistance it is not only necessary to prevent any stoppage in the flow of materials to the United States, but necessary to prevent any stoppage in the flow of materials to our allies. In many instances, materials for our allies will not be purchased directly by the United States and in the absence of this legislation a patent owner could enjoin a manufacturer from supplying the materials if patent infringement exists.

This provision will deprive a patent owner of the right to obtain an injunction and limit him to a money recovery. Balanced against this is the fact that manufacturers may be encouraged to enter into military defense production because they will not be faced with patent litigation.

For the reasons set forth, it is strongly recommended that the Court of Claims be given this additional jurisdiction in patent cases.

In addition to vesting the Court of Claims with jurisdiction when patent infringement occurs, this section will also give the court jurisdiction when an owner of proprietary information has been damaged by disclosure of the information by reason of acts of the United States, its officers or employees.

That the owner of proprietary information has a right of action against a recipient of that information who has used it without the owner's consent, is well established in the State courts. At least one Court of Claims case (*Patton v. United States*, 110 Ct. Clms. 195) implies that an owner of information also has right of action against the United States, if the owner can establish an express or implied contract.

In many instances the information constitutes the manufacturer's know-how. At times, such as when replacement of existing material or parts thereof is required, it is absolutely essential to have the manufacturer's know-how in order that the tolerances and other technical features be identical in the replacements.

The United States has in its possession volumes of such know-how. It has been acquired in many ways. Some of it has been voluntarily submitted; other has been submitted in conjunction with invitations to bid; and much of it has been acquired under research and development contracts. When acquired under research and development contracts the United States has a right to disseminate it, but it does not have such right in all instances.

It has been the policy, generally, to obtain the consent of the owner of the know-how prior to its transmission, but there are instances when

time does not permit, and other instances where an accurate determination as to who the owner is cannot be made. Without consent of the owner there is an understandable reluctance on the part of officials and employees of the defense departments to disclose the information to other sources. It is believed that this reluctance could be swept away and that manufacturers and others would be much freer in providing know-how if they were to be made whole for any damage resulting from the transmission of that know-how.

The purpose of establishing an affirmative remedy in the Court of Claims is to give the owners assurance that if they are damaged they shall have the right to seek reasonable and entire compensation. For the reasons given it is strongly recommended that this remedy be established as an affirmative part of the law.

In providing the Court of Claims with additional jurisdiction, section 509 further provides, beginning at page 15, line 9, that—

In any such suit the United States may avail itself of any and all defense, general or special, that might be pleaded in a like motion.

This has always been true with respect to patent litigation and prior to the codification in 28 U. S. C. 1498 like language was used in the earlier statute. Upon codification, this language was omitted, the reviser's note stating:

In the absence of statutory restriction, any defense available to a private party is equally available to the United States.

The inclusion of the above language therefore appears to be a matter of choice; it does make the act more explicit, and for that reason it may be desirable.

The above language establishing defenses runs to both patent cases and those based on disclosure of information, but beginning at line 12, on page 15, there is spelled out a defense running only to suits for damages for use or disclosure of information. This defense, in brief, provides that if the United States already has the information in its files it shall be a complete defense for the Government, provided—

(a) it has a date prior to the disclosure by the owner of the information;

(b) it constitutes sufficient description of the information; and

(c) the information has not been obtained directly or indirectly from the owner.

The reason for spelling out this defense arises because of conflicting opinions in the courts as to whether or not a defendant in an action of this kind may show that the information was in fact old at the time of receipt. Some courts have held that the recipient may show that the information is old and thus the recipient is relieved from liability, even though he uses the information. Other decisions have held that, if the information is new to the recipient and he uses it, he is liable on the doctrine of an unjust enrichment, even though he is able to establish the information was in fact old.

Despite the uncertainty as to what defense a recipient may raise, in order to avoid liability, one writer who has made a broad study of the subject reached the following conclusion:

If the receiver had the submitted idea in his possession prior to the submission, he receives nothing of value, and an obligation to pay will not be implied or imposed by law (vol. XXIX, No. 3, Journal of Patent Office Society, p. 161 (March 1947)).

If this conclusion is correct, then this part of section 509 is nothing more than a codification of existing law. However, if it is not correct, this bill will enact into law a special defense for the benefit of the United States.

As the Defense Department considers that the conclusion is correct, it does not, if there be any doubts, wish to press for inclusion of the defense. If the defense is a proper one, it will be available to the United States just as all other defenses are, whether or not it is spelled out in the act.

Turning now to section 509 (c), this section gives to department heads the authority to settle any claims arising out of patent infringement or information disclosure, provided the claim is submitted prior to bringing of suit in the Court of Claims. The agencies presently have authority to settle claims for patent infringement under 35 U. S. C. 91, when the infringement is by or for the United States.

The authority to consider a claim of this type administratively is highly desirable. The procedure enables the Department of Defense to retain control over a matter which was developed by its action, and further enables a determination by personnel having intimate knowledge of the situation. If the matter be classified, the claimant must await the removal of security before proceeding in the Court of Claims, and thus, although having a remedy, he may not invoke it. When suit is initiated, not only is the time of the agency involved consumed but also that of the Department of Justice. By providing for administrative compromise and settlement of claims, the over-all cost of determining the existence of Government liability is reduced, both from the Government's standpoint and that of the claimant.

Section 509 (d) excludes an employee of the United States or his assignees from bringing suit under the provisions of this act while he is in the employment or service of the United States or on any information or invention discovered, invented, or developed while in the employment of the United States. This exclusionary provision is found in 28 U. S. C. 1498, and has been in the law since 1910.

The next page and a half does nothing more than restate the amendment which Mr. Ooms suggested. I might say that that amendment originated in the Department of Defense. That is the tolling of the statute of limitations and was first proposed in the codification of the patent laws. I do not think there is any need to reread it, and it can be incorporated in the record.

Mr. GORDON (presiding). Without objection, the balance of your statement may be placed in the record.

(The balance of Captain Robillard's statement is as follows:)

It is suggested that one further provision be added to section 509, as subsection (e) thereof. This provision should read as follows:

"Except as otherwise provided by law, no recovery shall be had for any infringement of a patent committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt by the Government of a written claim under subsection (c) above, for compensation for infringement of a patent and the date of mailing by the Government of a notice to the claimant that his claim has been denied, shall not be counted as part of the six years, unless suit is brought before the last-mentioned date."

Under 35 U. S. C. 70, if a claimant, wishing to take advantage of the administrative settlement of his claim, files a claim and more than 6 years elapses from date of first use and denial of the claim, he loses the right to recover compensation for the period of time in excess of 6 years. Assuming that a claim is

denied 2 years after it is submitted, and first use was 5 years prior to the filing of the claim, then the claimant has lost the right to recover compensation for a 1-year period should he be successful in the Court of Claims. The claimant cannot maintain this action in the Court of Claims concurrently with the administrative claim, since filing of the action in the Court of Claims would divest the administrative agency of jurisdiction.

In view of the foregoing, it appears that it would be in the best interests of the Government and equitable to the claimant to provide a tolling of the time a claim is being administratively considered.

Summing up, the Department of Defense supports and recommends approval of section 509, but would not press for inclusion of the special defense running to disclosure of information.

Mr. GORDON (presiding). We will proceed under the 5-minute rule.

Mr. Judd.

Mr. Judd. I want to ask this question, which is a little off the line, for my own information, because I have often wondered about it.

Suppose in the war some weapon of ours is captured by the enemy. Let us say it contains some device developed from a privately owned secret patent, and the enemy, or maybe even an ally, gets it and duplicates it. Does the owner of that patent have any recourse?

Captain ROBILLARD. In the foreign country?

Mr. Judd. Suppose it is an American patent, but the British or Russians get it.

Captain ROBILLARD. He has recourse against us.

Mr. Judd. Against us?

Captain ROBILLARD. Yes, sir.

Mr. Judd. Because it was through the action of the United States by being at war with that country or giving them something through lend-lease or MDAP that they got the secret?

Captain ROBILLARD. No, sir. He would not have any action against us if, for example, there was something like that happened during the last war, when the Norden bombsight was compromised. Of course, if the Japanese went on to build it, there would be no recourse against the United States Government if the Japanese got it. His only recourse against us would be for our making use of it. If the Japanese went ahead and made it and used it, he would not have any recourse against us, but if there was Japanese patent he could sue the Japanese.

Mr. Judd. For example, the cruiser *Milwaukee* was lend-leased to Russia. I am told it had on it every secret and latest model weapon the United States Navy had. Obviously, the Russians got all of them. I do not know whether any of the late-model secret weapons were built under private patents or not, but suppose they were and the Russians came out with a bombsight, or something of commercial value, that they got through this cruiser *Milwaukee* lend-lease deal. Of course, after the war they will make it in commercial quantities and sell it, and in that way the patent owner has been deprived of some of his proper rights by this action of the United States.

Captain ROBILLARD. I would say he has no remedy because, by the same token, if the Russians came here and bought the same thing off a shelf somewhere they could go back to Russia and manufacture it without any liability. Just because we happened to give it to them does not change it too much.

Mr. CARDOZO. I would like to add something to that, if I could.

Mr. GORDON (presiding). Mr. Cardozo.

Mr. CARDOZO. There is a good deal of history which is going on with the Russians at the present time on that. In all the master lend-lease agreements there were provisions that the other country would protect the rights of Americans who had patents in articles that were transferred. Drawing on that provisions and other agreements with the Russians, we have asked them to pay to the holders of patents in American companies, or oil refineries, that were transferred to the Russians under lend-lease. Interestingly enough, the Russians have made settlements with a number of companies in the past few months, and have made some of the payments on that. We hope that they will continue the negotiations with the other companies.

As a matter of fact, the negotiations are going on from time to time right now.

Of course, it was the State Department that got the Russians and the companies together and got them to sit down and negotiate, drawing on this agreement between the two countries.

Captain ROBILLARD. May I point out I think there has been entirely too much emphasis on the question of patents. If there is a patent and if it is worth-while filing and obtaining a patent in this country, they generally get it abroad. The important thing here, in my estimation, is the know-how, because you can take any patent from the Patent Office, but it will take you years to put it into production. That is the important thing. Where we want to manufacture something, and manufacture it in a hurry, we can go to the contractor and say, "Look. We want to get this into production somewhere else. Will you sell us the know-how?"

Well, they are not very much inclined to do so. They are very much inclined not to give away anything because, after all, we are establishing a competitor. If they also have a patent position with that know-how their problem then is not too bad, because although we give the know-how to the other people we are still not letting them out from under the patent.

However, until we can establish that they have some kind of a remedy and some kind of recourse in case we accidentally give away know-how, they are going to be very reluctant to come in voluntarily and help us on the matter.

Mr. JUDD. Thank you.

Mr. GORDON (presiding). Mr. Hays, have you any questions?

Mr. HAYS. No questions. Thank you.

Mr. GORDON (presiding). Mr. Fulton.

Mr. FULTON. You have said that section 509 of S. 1762, on page 15, lines 12 to 16, is already in the law in section 509 (e) of the act of 1910. Am I correct in that?

Captain ROBILLARD. About the defense?

Mr. FULTON. Yes. What did your section 509 (e) of the act of 1910 refer to when you said there was something already in the law?

Captain ROBILLARD (reading):

In providing the Court of Claims with additional jurisdiction, section 509 further provides, beginning at page 15, line 9, that:

"In any such suit the United States may avail itself of any and all defense, general or special, that might be pleaded in a like action."

Mr. FULTON. Was that just with respect to compromises administratively? That is what I am asking.

Captain ROBILARD (reading):

The United States may avail itself of any and all defense—

Yes, sir.

Mr. FULTON. Would you explain that?

Captain ROBILARD. Pardon me. Maybe we are referring to the settlement of claims?

Mr. FULTON. Yes. You referred to the act of 1910. That referred only to the administrative settlement of claims and the compromise of claims; did it not?

Captain ROBILARD. No, sir. We have had in the law since 1910 the right to sue the Government for patent infringement.

Mr. FULTON. I see.

Captain ROBILARD. But we have only had, since World War II, in 35 USC 91, the right to make an administrative settlement.

Mr. FULTON. I see. Your administrative settlement or compromise is limited solely to the time prior to the filing of the action in the Court of Claims; is it not?

Captain ROBILARD. We recognize, just the way the Court of Claims does, 6 years prior, and, of course, the right to a future license, which is the most important thing in most instances.

Mr. FULTON. Who handles the administrative compromise once it is filed in the Court of Claims?

Captain ROBILARD. Once it goes to the Court of Claims it passes to the Department of Justice, and we have nothing to say about it unless we are invited. We have, however, administratively settled them at the request of the Department of Justice after they have gone there.

Mr. FULTON. In Mr. Ooms' statement he said:

I am informed that some apprehension is felt outside the Government over the possible ramifications of putting this language into the law.

That is the principle of giving the Government this defense on having prior information?

Captain ROBILARD. Yes, sir.

Mr. FULTON. Mr. Ooms also says:

Since it is intended only to state existing principles as to defenses in suits of this type, it can be deleted without harm.

May I comment shortly on that? You have evidently in your testimony disagreed with Mr. Ooms as to what constitutes the law. For example, you have said that there is an article in the Journal of Patent Law that disagrees with certain court decisions which you inferentially state disagree among themselves on this type of defense. The basis of Mr. Ooms' testimony here has been that the law is settled and, therefore, because it is settled this need not be in the act and it would be just surplusage. Your position, though changes a bit from that. If it is your position that we put that section into this law, then we are saying it is necessary to put it into the Defense Production Act. Then it casts a question or a doubt on anyone left out of the section.

On the principle of exclusion that would mean that whoever is not under this defense program might not, by way of inference, have the right to this defense, because we found it necessary to put it in for defense purposes.

Captain ROBILLARD. Well, I did quote an authority, but I quote him merely because he happens to be an outstanding authority. I have made an extensive study of this whole problem of submission of information because we get them at the rate of approximately 300 a week, and what our liability is I still do not know. You can go into all of the ramifications.

For example, in the State courts—

Mr. FULTON. Could I stop you there?

Captain ROBILLARD. Yes.

Mr. FULTON. Because that is where you disagree with Mr. Ooms. He, however, says it is the settled law outside of our even putting it in this act.

Captain ROBILLARD. Well, I do not. I will disagree to that extent. I say if it is the settled law we do not need it in the act. If it is not the settled law we are enacting something special.

I say from my own personal belief it should be left out, because I do not think we should put in a special defense in this case, because the files of the Government are so voluminous that I think it would just be another deterrent against getting people to give us anything.

Mr. FULTON. Do you think if we put that section in the bill, it might be throwing a doubt on people not under the act because we felt it was necessary to put that section in?

Captain ROBILLARD. Oh, definitely.

Mr. FULTON. So that it would cast a reflection on other private organizations not having to do with the Government in their handling of this type of defense?

Captain ROBILLARD. Exactly.

Mr. FULTON. I would like Mr. Ooms or you, because you both have been working with it, to give us your idea of who it is who would have the apprehension outside of the Government on the possible ramifications of putting this language in the act.

Then, secondly, I would like to know what those ramifications are.

Captain ROBILLARD. May I just give you about 2 minutes on this, Mr. Fulton? This same defense has been offered to the Congress repeatedly for the patent cases. There is a history that goes back maybe 20 years.

Mr. FULTON. Then why try to force it under this legislation?

Captain ROBILLARD. It has been repeatedly thrown out.

Mr. FULTON. Then why try to put it in this bill?

Captain ROBILLARD. Both of us are in agreement to throw it out.

Mr. FULTON. Then who was for putting it in?

Captain ROBILLARD. The drafting of this act and this provision, in particular, was a long and onerous task. There are many people involved and at times there are things put in that some do not agree to, and it is just trying to get everybody into agreement on something.

Mr. FULTON. This is an important thing which affects many companies in Pittsburgh. Would you submit to us a history that you have spoken of concerning the attempts to put this defense provision into law in various respects. Would you also give to us who or what groups it was that have sponsored the placing of this defense provision in the defense production program at this time?

Captain ROBILLARD. Yes, sir.

Mr. GORDON (presiding). Mr. Herter, have you any questions?

Mr. HERTER. No questions. Thank you.

Mr. GORDON (presiding). Mr. Javits?

Mr. JAVITS. No questions. Thank you.

Mr. GORDON (presiding). Thank you very much, Captain Robillard, for your appearance and statement.

Mr. FULTON. I would like to say that I believe Mr. Ooms and Captain Robillard because they have disagreed as to the status of the law as a basis for their statements, should have a little further amplification in the record of each point of view.

(The information requested is as follows:)

STATEMENT OF MR. OOMS AND CAPTAIN ROBILLARD

It will be noted from the committee print on the Mutual Security Program for the fiscal year 1952, on page 55, that the defense initially ran not only against information but also against patents. As set forth in S. 1762, the defense only runs to information.

The defense, as originally set forth in section 509, of the House version, was an attempt to incorporate a defense which many in Government have long felt should be available to the Government. This defense has heretofore been supported by the Department of Justice and the armed services. Despite this, there has never been unanimity throughout the services as to the propriety of the defense.

The defense was originally presented as an amendment to the act of 1910 (now 28 U. S. C. 1498). It was proposed as early as 1940 but the Congress rejected it and it was again proposed in 1947. At this time extensive hearings were held and they are found in the printed hearings, serial No. 22 of 1948. Whereas in 1940 the use of the defense, if successful, would have invalidated a patent, H. R. 3929 proposed that the defense would only be good for the Government and would not invalidate a patent. H. R. 3929 was supported by the Department of Justice and the Department of Defense and it was opposed by the following:

American Patent Law Association
New York Patent Law Association
Chicago Patent Law Association
Los Angeles Patent Law Association
Banning & Banning, Chicago, Ill.
Burnitol Manufacturing Co., Boston, Mass.
George Crompton, Jr., Worcester, Mass.
The Glidden Co., Cleveland, Ohio
Roger Sherman Hoar, South Milwaukee, Wis.
Frank Kelper, M. E., Rochester, N. Y.
Liverance & Van Antwerp, Grand Rapids, Mich.
Hubert B. Miller, Wichita, Kans.
National Association of Manufacturers, New York, N. Y.
Packard Motor Car Co., Detroit, Mich.
C. B. Shane Corp., Chicago, Ill.
Ralph B. Stewart, Washington, D. C.
Oliver W. Storey, Chicago, Ill.
Watson, Bristol, Johnson & Leavenworth, New York, N. Y.

The Subcommittee on Patents ordered an amended bill reported. The amended bill was a watered-down version of what had been proposed. The most important change being that the defense would be available if it could be shown that the records relied upon arose out of a single project of one agency or a common coordinated single project of more than one agency.

So far as can be determined, the bill was never reported out by the Judiciary Committee, and no further attempts were made to have the bill reinstated.

During the drafting of the provisions to be incorporated in the Mutual Security Act of 1951 this defense of using records, as against patents, was again proposed and logically extended as a defense against liability for use of information. Again there was no unanimity and subsequent to the printing of the committee print on basic data supplied by the executive branch it was agreed that the defense of using information as against patents should be withdrawn. The only instance where the Government could be injured would be when it fails to file an application for a patent on something which has been developed within the Government. Unpublished Government records are not public records

and, therefore, do not fall within the statutory defense of a prior publication. However, the Government may rely upon the statutory defenses of prior use and sales. Under the Secrecy Act the Government is protected when it files a patent application on classified matter, and by so doing it can establish its defenses against patents. In almost all instances the Government may protect itself by diligent filing of patent applications.

In view of the repeated attempts to obtain the defense against patents, and the repeated rejection by the Congress, those in the armed services accepted these rejections as expressing the intent of the Congress that the Government should not have this special defense against patents.

With respect to the defense of using information in Government files, as against information submitted by another, the situation is quite different. It was agreed by all that this is a proper defense at law, and therefore incorporating the language within the act, was nothing more than a codification of the law.

Nevertheless, there was apprehension by a large cross segment of industry as well as lawyers. This apprehension appears to be founded on the fact that by spelling out the defense in legislation, it might become much broader than intended. The bothersome question of what records could be relied upon again became a matter of discussion. For example, the 2,700,000 patents in the Patent Office are all Government records. Could the Government, after adopting and using information submitted to it, escape liability by searching after the fact the patents to find something which proximated the information? Could the Government fit together records from various agencies and thus build up a defense? These were the same type of questions which bothered the subcommittee of the Judiciary when H. R. 3920 was before it, and that is why the committee amended the bill to provide that the records must have originated from a single project of one agency or a common coordinated single project of several agencies.

It was felt by many that if the defense were written into the law, courts would be constrained to hold that any defense built up from Government records could be relied upon. If the provision is not written into the law they feel that what the Government may introduce in the way of evidence remains within the discretion of the court and the court would not be bound by any statutory definition.

Because of this apprehension, it was agreed among the armed services and the Department of State that the defense should be stricken from the bill. All concluded that the defense would be available, and therefore there is no necessity for writing it into legislation. A careful examination of the record shows that there is no conflict between Mr. Ooms and Captain Robillard on this point. The apparent conflict arose because Captain Robillard said he could not determine what the liability of the Government would be under this defense.

Otherwise they are in agreement for they have both read the record and are convinced that there was no real, but only an apparent conflict arising from differences in language.

The following brief citation of the law of trade secrets seems to justify the opinion that if the United States has independently come into possession of the information assertedly to be a trade secret by a third party, such third party has no claim against the United States:

"1. Anyone may use it who fairly by analysis and experiment discovers it." (*Willkop and Holmes Co. v. Boyce*, 61 N. Y. Misc. 126, 112 N. Y. S. 874).¹

"2. . . . On the other hand, trade secrets are not given protection against all the world or persons who have not learned the secret by improper means or by virtue of a confidential relation; all that the owner of a trade secret is entitled to is protection from a breach of contract or confidence against one to whom he has confided the secret and those to whom such person may divulge it, and anyone who honestly and fairly comes into possession of the secret has the right to use, disclose, or sell it without being subject to restraint by injunction. (*Am. Dirigold Corp. v. Dirigold Metals Corp.*, 125 F. 2d 446; *Schavoir v. Am. Rebonded Leather Co.*, 133 A. 582, 104 Conn. 472; *Godfrey Mfg. Co. v. Lady Lennox Co.*, 134 SW 140; *McClary v. Hubbard*, 122 A. 460, 97 Vt. 222).²

"3. In a recent case, the trade secret which equity will protect by injunction was defined as 'a plan or process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it was necessary to

¹ Williston on Contracts, vol. III, p. 2900, sec. 1646, 1920.

² Corpus Juris Secundum, sec. 145 (4) Trade Secrets (pp. 750-753).

confide it. It was a property right, and differed from a patent in that as soon as the secret was discovered either by an examination of the product or any other honest way, the discoverer had the full right to use it' (*Progress Laundry Co. v. Hamilton (Ky.)*, 270 S. W. 834; *Victor Chemical Works v. Hoff*, 289 Ill. 532, 132 N. E. 806)."

Mr. GORDON (presiding). The committee will recess until 2:30 this afternoon.

(Whereupon, at 12:25 p. m. the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:35 p. m., the Honorable James P. Richards (chairman) presiding.)

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, the next witness is Dr. Henry G. Bennett, Administrator, Technical Cooperation Administration, State Department. Dr. Bennett, will you have a seat, sir?

Doctor, you have a prepared statement, do you not?

STATEMENT OF DR. HENRY G. BENNETT, ADMINISTRATOR, TECHNICAL COOPERATION ADMINISTRATION, STATE DEPARTMENT

Dr. BENNETT. Yes, sir.

Chairman RICHARDS. Will you proceed, sir?

Dr. BENNETT. Mr. Chairman, I am glad to be permitted to present the statement of the Technical Cooperation Administration, commonly called the Point IV: Administration, to the committee during the hearings on the Mutual Security Program.

You have no doubt heard of the Technical Cooperation Administration, because it is involved in three of the titles. But it occurred to me, if it is agreeable to you, Mr. Chairman, and with the committee, I would like to discuss briefly the point 4 program in its entirety as it affects all of the areas.

Chairman RICHARDS. Do you mean by that, Doctor, that you want to put your statement in the record and then discuss it, or will you read your statement later?

Dr. BENNETT. I would like to put the statement in the record, if I may.

Chairman RICHARDS. That will be fine. I think the committee would rather have you put your statement in the record to study and have you make a statement and then ask questions.

Dr. BENNETT. That is agreeable.

Chairman RICHARDS. Without objection, the statement will be included in the record at this point.

Dr. BENNETT. During the course of these hearings you have necessarily received piecemeal information about the Technical Cooperation program since it is included as a part of each of the regional programs. At some time, however, I think you will want to get a picture of the total job being done and contemplated under what is broadly known as the point 4 program which is being carried on by the Technical Cooperation Administration of the Department of State. I would also like to give you my understanding of the distinction

¹ The Law of Injunctions, Lewis & Spelling (1926).

between point 4 and other types of economic aid and of the plan of operation for 1952.

If the world were not threatened with armed aggression, it would still be in our self-interest to help other peoples to free themselves from their historic enemies—starvation, disease, and ignorance. We know that the Communists capitalize on troubled situations, and the best way for us to combat communism is to help improve the situation. Such a program would be part of the long-range point 4 program.

But today we are threatened with armed aggression and, while the point 4 approach is no less necessary, there are certain parts of the world where it is not enough. There are certain countries where military considerations make it necessary for us to do far more than should or could be done under a point 4 program which is founded on a long-range self-help basis.

In such countries, therefore, it will be necessary to have actually two programs—the emergency big-grant program and the long-range point 4 program.

The question arose, Should we have two agencies carrying on different but related programs in some countries, or should we have one agency carrying on both types of programs in those countries?

It was decided to combine both programs in the single agency whose particular type of program predominated in a given country. This seemed to be the best mechanism for handling both an emergency situation and a long-range situation at the same time. If and when the emergency passes I assume we will want to reexamine this arrangement.

Only one agency will have responsibility for administering economic and technical assistance programs in any single country. Consequently, in those countries where ECA is assigned the job of administering grant and capital improvement programs they will also take over the existing technical cooperation activities.

The proposed program for the Near East, north Africa, and Latin America is primarily one of technical cooperation and one in which considerable emphasis must be placed upon the rural approach. Substantial grants are involved but they are accompanied generally by technical guidance and supervision at the village level. Such programs will be administered by TCA through a regional operation.

The Technical Cooperation Administration program for fiscal year 1952, under this plan, would consist of programs totaling \$79,256,000. This figure includes \$13,000,000 for the multilateral technical assistance activities. You have the detailed regional statistics before you. In summary form, the Technical Cooperation Administration bilateral program, exclusive of administrative costs, would consist of the following:

Area:	Proposed program
American Republics.....	\$18,000,000
Near East and north Africa.....	47,808,000
Asia (Afghanistan, Ceylon, and Nepal).....	450,000
Total.....	66,258,000

In addition, as noted above, we would allocate for multilateral technical assistance activities \$13,000,000, of which \$1,000,000 would go to the Organization of American States, and \$12,000,000 to the United Nations and the specialized agencies. We work very closely with those

organizations in correlating our activities. In connection with the Near East program, we would work in close relationship with the Palestine Refugee Agency on problems involved in refugee resettlement.

The above figures do not include the \$6,000,000 for administrative and domestic program costs which are provided for in title I.

Point 4 activities are now under way in Asia, in the Near East and north Africa, and in Latin America. As I indicated, these activities will be carried forward in each region with funds provided under the Mutual Security Program legislation.

I should like now to tell you briefly about our present program and how it is being administered.

The act for international development which authorized the point 4 program was approved in June 1950. Appropriations to implement this act became available in September 1950. New appropriations for technical cooperation activities totaled \$26,900,000.

In addition, there became available an appropriation of \$5,000,000 plus a carry-over of \$1,369,309 for the work of the Institute of Inter-American Affairs, and also a sum of \$2,537,000 which was transferred to the Technical Cooperation Administration from funds appropriated for technical assistance work under Public Law 402.

An over-all total, therefore, of \$35,806,309 was available during fiscal year 1951 for all technical cooperation programs.

On September 8, the point 4 program became a responsibility of the Department of State by Executive order. On October 27, 1950, the Technical Cooperation Administration was established and given central responsibility within the State Department for administration of the program.

The task of negotiating bilateral agreements and receiving official requests for assistance must necessarily be handled slowly and with great care. Nevertheless, in the few months we have been in operation we have made substantial progress. We have fully utilized the funds which were made available. I believe we have utilized the funds wisely and effectively.

We now have technical cooperation programs underway in the following 36 countries: Afghanistan, Bolivia, Brazil, Burma, Ceylon, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Egypt, Ecuador, El Salvador, Greece, Guatemala, Haiti, Honduras, India, Indonesia, Iran, Iraq, Israel, Lebanon, Liberia, Libya, Mexico, Nicaragua, Pakistan, Panama, Paraguay, Peru, Philippines, Saudi Arabia, Thailand, Uruguay, and Venezuela.

We have authorized projects providing for the employment of over 1,200 technicians in the field. Of these, 710 will be employed by various Government agencies, and approximately 500 will work for private contractors. Government agencies already have 451 employees at work, and private contractors have 233 employees at work, a total of 684 American technicians actually at work on foreign assignments. They are supported by 209 technicians stationed either full or part time in this country or in irregular roving assignment. In summary, 893 American experts are now on the job. In addition, there are 164 employees who were recruited locally.

Between September 1950, and June 30, 1951, the Technical Cooperation Administration received 690 requests for assistance from 43 countries. Almost 500 of these requests have been approved; 872 point

4 training grants were approved in fiscal year 1951 for trainees to study in the United States. They come from 41 countries.

Out of the \$35,800,000 available for the program in 1951, \$12,000,000 was made available to the United Nations and the specialized agencies for the expanded multilateral technical assistance program. The UN now has programs operating in 37 countries. We are working closely with UN officials both in planning and in operation in the field.

We provided \$1,000,000 to the Organization of American States for technical assistance programs in Latin America. This was primarily for regional training centers.

A total of \$8,826,000 was available for programs administered by the IIAA. An additional \$6,139,351 was allocated to other agencies such as the Department of Agriculture and the Department of the Interior for carrying out projects approved by TCA. Finally, a total of \$7,833,009 was utilized directly by TCA in the Department of State. The following table summarizes the use of 1951 funds by cooperating agencies:

Department of Agriculture.....	\$2,452,284
Department of Commerce.....	1,015,837
Department of the Interior.....	1,162,834
Federal Security Agency.....	1,017,372
Department of Labor.....	325,922
Bureau of the Budget.....	72,377
Housing and Home Finance Agency.....	15,890
Tariff Commission.....	2,550
Tennessee Valley Authority.....	3,120
Department of the Treasury.....	2,920
Federal Power Commission.....	4,460
Post Office Department.....	2,692
Department of the Army.....	8,360
Federal Communications Commission.....	52,683
Institute of Inter-American Affairs.....	8,826,449
Department of State:	
Multilateral programs.....	13,007,500
Bilateral programs.....	7,833,009
Grand total.....	35,806,309

These have been high lights of our 1951 program. I should like now to tell you briefly how the program is being administered.

Although the TOA is still very young, I believe it has made a sound beginning. As you know, the point 4 program includes operations in a large variety of technical fields—agriculture, mineral development, roads and highways, communications, health and sanitation, education, civil aeronautics, water engineering, and many others.

We are fortunate in that in nearly all these fields one or another of the Federal agencies has already a great reservoir of skill and experience. I believe our greatest strength lies in the fact that we are bringing to bear upon the problems of the underdeveloped areas the resources and experience of the entire United States Government.

In fact, we have gone even further. We are bringing to bear also the experience and skill of private business firms, educational institutions, and of other private organizations from all parts of the United States.

We have continued the programs of the Institute of Inter-American Affairs in Latin America and in fact have expanded its operation considerably. We have enlisted the participation of 14 technical agencies of the United States Government. We have entered into direct con-

tractual arrangements with 56 private organizations and institutions involving work in 19 countries at a cost of \$3,852,000.

Many of the contracts are with land grant colleges and other educational institutions including the University of Arkansas, Texas A. & M. College, the University of Minnesota, Utah State Agricultural College, New Mexico A. & M. College, Brigham Young University, the University of Illinois, Vanderbilt University, the University of Utah, Purdue University, the University of Wisconsin, University of Maryland, the University of Denver, and Northwestern University.

Other contracts are with research organizations such as the Armour Research Foundation of Illinois and the Southwest Research Institute.

We have made arrangements to expand the activities of training institutions abroad such as the Near East Foundation and the American University at Beirut.

Finally, we have made arrangements for specific tasks to be undertaken abroad by American engineering and other private firms.

Let me stress this point. The Technical Cooperation Administration directs and controls the program carried out with the assistance of this wide variety of Government and private agencies. We thus secure the advantages of using the specialized skills of the agencies of the Federal Government, while providing a unified administration of the total program.

TCA has entered into bilateral general agreements looking toward long-term cooperation with the underdeveloped countries with which we are cooperating. These general agreements are supplemented by specific project agreements setting forth detailed plans of work.

Program plans are developed in the field by American officers of our Foreign Service missions, including agricultural and other specialized United States representatives, as well as by special representatives of the Technical Cooperation Administration. All work, of course, with representatives of the host governments.

Typical point 4 technical cooperation projects are those which will (a) assist the local government and local population in taking the most urgently needed steps to develop the country's resources; (b) improve local skills, by sending experts to provide such skills and by training local personnel, both within the country and by bringing them to the United States; and (c) those which hold out the most promise of growing into enduring and long-term cooperation between the United States and the country.

Supplies and equipment are included in point 4 programs to the extent necessary to insure substantial results in assisting the country with each project undertaking, whether it be land reclamation or expansion of education.

The plans and the official requests from the governments are presented to the Technical Cooperation Administration. We review them in consultation with representatives of the technical agencies which have competence in the particular fields of work involved and in consultation with area experts within the State Department's regional bureaus.

As soon as the projects are approved, funds are either allocated to one of the participating technical agencies, which then assigns or recruits experts needed to carry out the project in the field, or the project is let out on contract to a private concern. Many projects are administered directly by TCA itself.

Periodic reports are submitted to the Technical Cooperation Administration on the progress and operation of each activity, and close supervision is maintained at all times.

Although the individual experts in the field receive their technical guidance from their own agencies in Washington, all personnel in a particular country are administratively supervised by a representative of TCA. In some instances this representative is a member of the Embassy economic staff. In other instances, he is an officer specifically employed by TCA for that purpose. As the volume of activity increases, we are employing country directors of technical cooperation whenever needed.

That briefly summarizes the nature and scope of our present program. Before I close, I should like to say a few words about the point 4 idea, about its objectives, its fundamental approach and its long-term implications.

The point 4 program is not something brand new although the conception of it as a national policy on a world-wide basis is new. Missionaries of all faiths were the pioneers in the work in helping the peoples of underdeveloped areas to help themselves in improving their way of living. Private organizations and institutions of many kinds have for years carried on technical assistance work abroad costing millions of dollars annually.

Moreover, the Congress of the United States authorized technical cooperation programs when it established the Institute of Inter-American Affairs and enacted the Smith-Mundt Act.

The point 4 program is not just a program to do good. It is very clearly a program in our own self-interest. We are increasingly economically dependent upon the underdeveloped countries. Our productive capacity has increased at a great rate; from producing about one-third of the world's manufactured goods in 1940, we now produce about 60 percent of the total world production. Present plans call for a further increase in our production of 20 percent by 1953.

At the same time, raw material production has remained constant and as you know is expected to fall off in the future. An absolutely vital 73 percent of raw material requirements come from the underdeveloped areas.

Basically, therefore, as Mr. Rockefeller ably pointed out in his report, *Partners in Progress*, our domestic economic and military strength depends upon maintaining the supply of raw materials from the underdeveloped areas.

The underdeveloped areas offer the greatest prospect for future markets for United States production. The problem of markets is, as you know, very acute and if, as we hope, our excess capacity for military production should become surplus, unless markets are found for the products of these industries the standard of living of our people would be seriously endangered.

If, however, the underdeveloped countries are able with our help to increase their productivity and income, and consequently their capacity to buy abroad, they will become increasingly important purchasers of United States goods. The potentialities of our trade with these regions in conditions of peace and developing economies are tremendous.

However, we cannot either commandeer their raw materials nor can we force them to take our manufactured goods. The democratic

way is to seek the cooperation of the peoples and the governments so that we and they can together embark on a program which is in our joint interest. It is a basic United States policy to do everything possible to assist and strengthen the peoples who are our allies in the free world.

The underdeveloped areas are potentially, with a few exceptions, rich and fruitful countries. As in our own country, the problem is one of a better use of the resources available; that is, land, water, and people. Because of poor use of these resources the 1 billion persons who inhabit the underdeveloped areas are today suffering from hunger, from disease, from poverty and from illiteracy. Average per capita incomes are about \$80 per annum. About three-fourths of the people live on the land practicing the most primitive agriculture.

Our projects in most of these countries are designed particularly to improve agriculture. They have as a second direct purpose, the best use of the available human resources.

The projects, almost without exception, are small-scale operations not intended to bring overnight remedies to ancient problems. Since they are small scale, they are inexpensive.

Whenever possible, the projects have been geared to have an impact through a dramatic demonstration or pilot operation. The idea is to send in the minimum number of people, with tools and limited amounts of supplies, so they may show the people by doing, and guide and instruct their doing.

Through extension instruction and the use of informational media on training, it is hoped that the new and better ways of doing things will catch on, so that in the course of 2 or 3 years, there will be much less need for outside technical experts.

The projects are designed to have certain effects on the peoples and on the governments of the region. The United States makes its plans and works with the government, and no project is undertaken which the governments have not requested, and which they themselves have not or are not ready to support fully.

The point 4 program respects the sovereignty of the governments in the countries where it has been invited to work. Only those activities are undertaken which are requested by the host country and into which the country itself is willing to invest its own resources.

It has been TCA's experience that on an average each dollar we now contribute to a program is matched by the equivalent of \$3 contributed by the country itself to the program. Whenever possible, projects are carried on jointly, with the nationals of the country taking leadership. Wherever possible, the local organization to carry out point 4 work is identified as a part of the national or local government or governmental institutions. The programs take full account of local religious and social customs and strive to work within the limits set by these cultural patterns.

The projects are of a kind, and they have been so planned, that to be successful, there must be maximum operational participation by the actual workers, settlers, and farmers. The program is almost wholly operable on the village, local area or provincial level. The people feel that these are their own projects and it is they who make them work.

As point 4 is successful, the popular understanding and support of the people for their governments will be increased, which will make

for stability and be an effective deterrent to Communist propaganda. The governments, in turn, will be more likely to embark on enlightened policies of improvements of standards and conditions, and there will be started a much-needed feeling of responsibility for the well-being and welfare of the people. Finally, we hope, both the people and their governments will feel proud of the fact they have been able to advance themselves through American assistance, and their friendship and understanding for the United States will be much greater.

I said before that since the projects are small they are, as foreign aid grants go, inexpensive. Let me elaborate on that point. While the program has been kept modest in scope, the pilot projects have been selected which will lay the basis for more extensive economic development activities.

Once the pilot projects, and the surveys, have been completed, it is hoped that conditions will be ripe for undertaking the large-scale agricultural, water, industrial and other expansion schemes which are needed. It is believed that the benefits of the pilot projects, and projects which the governments themselves have been stimulated to undertake in the next year or two, will result in improved earnings of the governments so that, to a maximum extent, the large-scale projects may be financed from loans, either private or public.

The point 4 program is a long-term program, yet will make an immediate and important contribution to the security of the free world. Its inclusion in the Mutual Security Program along with the large economic aid activities demanded by the present emergency is primarily for convenience in making the presentation to Congress.

But its basic objectives require that it be regarded in long-range terms as an integral part of our foreign-affairs program. It will be plain good business to continue beyond the present emergency a modest program of stimulating economic development and thus paving the way for a stimulation of private investment.

First of all, the Act for International Development was passed by the Congress in June 1950. Appropriations were made in September 1950 and the President, by Executive order, set up the administration as a part of the Department of State shortly after.

I personally was appointed Administrator in December of last year. Following the provisions of the act, we have set out to put it into operation.

The act provided for rendering certain types of technical assistance to the countries of the so-called underdeveloped areas of the world. These include practically all of Latin America, Africa, the Near East, and Asia.

Through the embassies, we presented the possibilities offered to 60 different countries. We have signed point 4 agreements with 32 of these countries. The countries with whom we have signed agreements are as follows: Afghanistan, Bolivia, Brazil, Ceylon, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Egypt, Eritrea, Ethiopia, Haiti, Honduras, India, Iran, Iraq, Israel, Jordan, Lebanon, Liberia, Libya, Mexico, Nepal, Nicaragua, Pakistan, Panama, Paraguay, Peru, Saudi Arabia, and Uruguay.

We are still carrying on negotiations with the other 28, and only 1 country so far has declined to sign definitely. That is Syria. They ask to hold it in abeyance, with certain reservations, due to political complications with a neighbor.

I think you might be interested as to what the agreement calls for. It is a simple agreement, easily understood, and makes certain quite simple provisions that are embodied in the act. The major provisions are these: The Government of the United States and the government of the host country undertake to cooperate with each other in the interchange of technical knowledge and skills.

That country agrees to coordinate and integrate all technical cooperation programs carried on within its boundaries, to cooperate in the mutual exchange of technical knowledge and skills with other countries participating in the point 4 program, and try to make effective use of the results of technical projects which it carries on in cooperation with the United States.

That country agrees to keep the United States informed concerning the projects and operations carried on under the agreement, including a statement on the use of funds, materials, equipment, and services provided under the agreement, and to give information to the United States regarding technical assistance which it is requesting from other countries or from international organizations.

The two Governments agree they will give full publicity within their respective countries to the objectives and progress of the technical cooperation program carried on under the agreement.

The agreements make provision for the execution of separate project agreements for individual projects as they are to be established; those project agreements to contain provisions relating to the administrative procedures, disbursement of funds, accounting for funds, and the respective financial contributions to be made by each government.

Next, the host country agrees to bear a fair share of the cost of technical cooperation programs and projects; and it is provided that any funds, materials, and equipment introduced into those countries by the United States shall be exempted from taxes, service charges, investment or deposit requirements, and currency controls.

Those are the major provisions as to the contracts.

Mr. RUBINOFF. Mr. Chairman, could a sample copy of that contract be placed in the record?

Dr. BENNETT. I would be glad to place it in the record.

Chairman RICHARDS. It will be placed in the record at this point. (The material referred to is as follows:)

TEXT OF POINT 4 AGREEMENT WITH GOVERNMENT OF INDIA

ARTICLE I. ASSISTANCE AND COOPERATION

1. The Government of the United States of America and the Government of India undertake to cooperate with each other in the interchange of technical knowledge and skills and in related activities designed to contribute to the balanced and integrated development of the economic resources and productive capacities of India. Particular technical cooperation programs and projects will be carried out pursuant to the provisions of such separate written agreements or understandings as may later be reached by the duly designated representatives of India and the Technical Cooperation Administration of the United States of America, or by other persons, agencies, or organizations designated by the Governments.

2. The Government of India through its duly designated representatives in cooperation with representatives of the Technical Cooperation Administration of the United States of America and representatives of appropriate international organizations will endeavor to coordinate and integrate all technical cooperation programs being carried on in India.

3. The Government in India will cooperate in the mutual exchange of technical knowledge and skills with other countries participating in technical cooperation programs associated with that carried on under this agreement.

4. The Government of India will endeavor to make effective use of the results of technical projects carried on in India in cooperation with the United States of America.

5. The two Governments will, upon the request of either of them, consult with regard to any matter relating to the application of this agreement to project agreements heretofore or hereafter concluded between them, or to operations or arrangements carried out pursuant to such agreements.

ARTICLE II. INFORMATION AND PUBLICITY

1. The Government of India will communicate to the Government of the United States of America in a form and at intervals to be mutually agreed upon:

(a) Information concerning projects, programs, measures, and operations carried on under this agreement, including a statement of the use of funds, materials, equipment, and services provided thereunder;

(b) Information regarding technical assistance which has been or is being requested of other countries or of international organizations.

2. Not less frequently than once a year the Governments of India and of the United States of America will in mutual consultation make public in their respective countries periodic reports on the technical cooperation programs carried on pursuant to this agreement. Such reports shall include information as to the use of funds, materials, equipment, and services.

3. The Governments of the United States of America and India will endeavor in mutual consultation to give full publicity to the objectives and progress of the technical cooperation program carried on under this agreement.

ARTICLE III. PROGRAM AND PROJECT AGREEMENTS

1. The program and project agreements referred to in article I, paragraph 1 above, will include provisions relating to policies, administrative procedures, the disbursement of and accounting for funds, the contribution of each party to the cost of the program or project, and the furnishing of detailed information of the character set forth in article II, paragraph 1 above.

2. With respect to any funds, materials, and equipment introduced into India by the Government of the United States of America pursuant to such program and project agreements, the Government of the United States of America shall not be liable for taxes, service charges, and investment or deposit requirements, and will be exempt from exchange restriction.

3. The Government of India agrees to bear a fair share, as may be mutually agreed upon, of the cost of technical assistance programs and projects.

ARTICLE IV. PERSONNEL

1. All employees of the Government of the United States of America assigned to duties in India in connection with cooperative technical assistance programs and projects and accompanying members of their families shall be exempted from income taxes with respect to (1) salaries and allotments paid to them by the Government of the United States of America and (2) any non-Indian income upon which they are obligated to pay income or social-security taxes to the Government of the United States of America.

2. Such employees and members of their families shall receive exemption with respect to the payment of customs and import duties on personal, household, and professional effects and supplies including one personal automobile on certificates being furnished, by such employees, to the collector of customs concerned, through the technical assistance unit of the Finance Ministry of the Government of India, to the effect that these effects and supplies are for the personal use and consumption of such employees and members of their families. Duty is liable to be paid in respect of any such articles imported without payment of duty and sold or disposed of within 8 years, but there shall be no liability if such articles are reexported within the period.

ARTICLE V. ENTRY INTO FORCE, AMENDMENT, DURATION

1. This agreement shall enter into force on the day on which it is signed. It shall remain in force until 8 months after either Government shall have given notice in writing to the other of intention to terminate the agreement.

2. If, during the life of this agreement, either Government should consider that there should be an amendment thereof, it shall so notify the other Government in writing and the two Governments will thereupon consult with a view to agreeing upon the amendment.

3. Subsidiary project and other agreements and arrangements which may be concluded may remain in force beyond any termination of this agreement, in accordance with such arrangements as the two Governments may make.

4. This agreement is complementary to and does not supersede existing agreements between the two Governments except insofar as other agreements are inconsistent herewith.

Mr. VORYS. Could we glance at it?

Dr. BENNETT. Yes, sir. This is the text of the agreement with India. There is an additional page which does not apply.

Chairman RICHARDS. This is about three pages and a quarter. Does anybody want to look at that?

Dr. BENNETT. That is the over-all contract we sign before we enter into programs with the country.

Mr. RINICOFF. Mr. Bennett asked if there were any questions on the contract. I wonder if it would be proper to ask a question now?

Chairman RICHARDS. If you want to ask any questions on the contract, ask them now.

Mr. RINICOFF. This is the uniform contract?

Dr. BENNETT. That is right.

Mr. RINICOFF. Have you signed exactly the same contract with every country?

Dr. BENNETT. Practically the same. There is very little variation.

Mr. RINICOFF. That is all.

Mr. VORYS. Is there a provision in the contract for payment of a fair share of the cost of the program by the country?

Dr. BENNETT. Yes, sir.

Mr. VORYS. Do you remember where that is?

Dr. BENNETT. I will underline it: "The Government of India agrees to bear a fair share, as may be mutually agreed upon, of the cost of technical assistance programs and projects."

That is in every contract.

Mr. CHIPERFIELD. Percentages run different for different countries?

Dr. BENNETT. Different for different countries, but in the main the minimum is 50-50. In many of the countries it is far more than that; I mean, the percentage of the host country is greater than that.

Mr. VORYS. That is the minimum for the recipient country—

Dr. BENNETT. Fifty percent. But take Brazil, for example. In their health program—Mr. Iverson is here—my recollection is we have 32 technicians in Brazil, and there must be 2,000 Brazilian technicians in the health program, would you not think, Mr. Iverson? You have the figures.

Mr. IVERSON. Yes. And on the funds, Dr. Bennett, the last year, 1950, the program contribution to the health and sanitation program by the United States was \$215,000, and the program contribution by the Government of Brazil was \$5,812,000.

Mr. CHIPERFIELD. Mr. Chairman, after we get these programs started, the tendency is for the host countries' contributions to increase and ours to go down; is that not right?

Dr. BENNETT. That is right. It is exactly like a grub stake in the old West, where you would stake a man to go out into the mining area

and after he makes his find he pays you back tenfold. That is what it amounts to. It is a grub stake.

Mr. CHIPERFIELD. But they do not pay us back generally with an increase like that.

Dr. BENNETT. The benefits are immeasurable.

Mr. CHIPERFIELD. To us?

Dr. BENNETT. The benefits, of course, are hard to—

Chairman RICHARDS. The old grub staker used to get 50 percent of what you found?

Dr. BENNETT. That is right. I know of an example of that in Miami, Okla., where an old groceryman became a very rich man by grub staking a miner who was picking around with a jack in the area of Joplin, Mo.

Chairman RICHARDS. You think if we strike gold we may get rich ourselves?

Dr. BENNETT. I would say we have much to gain, and the amount we are putting up is quite small.

Anyway, the procedure is along this line, first, the contract, and then individual projects, and the operation begins. It provides under the act for training programs and technical programs. The term "technical programs" means programs for the international interchange of technical knowledge and skills. Such activities may include training projects that serve the purpose of promoting the development of economic resources and productive capacities of underdeveloped areas.

During the fiscal year 1951, we have made 862 training grants. More than half of these trainees are serving their training in agriculture, health and education.

Chairman RICHARDS. Mr. Chiperfield.

Mr. CHIPERFIELD. How do you select your personnel?

Dr. BENNETT. To go into the program?

Mr. CHIPERFIELD. Yes.

Dr. BENNETT. The personnel is selected on this basis: The act provides that we shall operate with the agencies of Government. I will read the provision:

The President is authorized to plan, undertake, administer, and execute bilateral cooperation programs carried on by any United States Government agencies. The President may allocate to any United States Government agency any part of any appropriation available for carrying out the purposes of this title. For purposes of promoting the effective implementation of the act, the heads of all departments and agencies, the participation of which is requested by the Secretary of State, are hereby authorized and directed to provide for such participation in the maximum extent consistent with law.

The procedure which we followed has been along this line: For example, Lebanon calls on us for an agreement to make a water survey of the country, which is in that country largely the Litani River project.

Then we call on the Department of the Interior, with its great division of skilled help already at its disposal, and 10 men are chosen to go. These 10 men from the Reclamation Service have made and are making the survey on the Litani project. That is one type of cooperation.

Mr. CHIPERFIELD. Do you select personnel outside of Government agencies?

Dr. BENNETT. Yes, sir.

Mr. CHIPERFIELD. Do you have a personnel man who is in charge of your selection?

Dr. BENNETT. Yes, sir.

Mr. CHIPERFIELD. Who is he?

Dr. BENNETT. Mark Gordon.

Mr. CHIPERFIELD. That is all, Mr. Chairman.

Dr. BENNETT. I would be glad to pursue the procedures which we have used in selecting personnel.

Mr. CHIPERFIELD. That is sufficient, as far as I am concerned.

Dr. BENNETT. The project, once it is determined, we follow through in that fashion. After my appointment, I visited many of these countries, and came to the conclusion that the biggest need which they have in all of the underdeveloped areas is to increase the food production.

I discovered, for example, that in Latin America every country in Latin America is dependent on imports for its food, with the exception of the Argentine. Consequently, we are stressing agricultural programs first.

A majority of the people in the underdeveloped areas of the world, in fact 90 percent of them, are on the farms. The farming methods are quite primitive, going all the way from the simplest type of wooden plow and the hoe, which is a crooked stick, up to the most simple of our modern equipment.

Consequently, it has occurred to me and my associates that one of the biggest contributions we can make in technical assistance is to begin with agriculture in all of these countries.

Consequently, we are strengthening the agricultural program everywhere we have the opportunity. I was last week in Ethiopia, where the government has requested assistance in agriculture. I visited the great agricultural areas of Ethiopia. It is one of the most promising of all the underdeveloped areas from the standpoint of its ability to produce.

There we are, with the Government, setting up an agriculture training program to begin with. It is the desire of the Emperor to take their small agricultural training school and bring in the boys from all over Ethiopia to increase their knowledge of plant life and animal life.

With the agencies there now we are now setting up, first, an agricultural program. Paralleling it will be a program in education; in like fashion, a public health program.

In Egypt, where I likewise have been within the last 10 days, our program is following the same line: agriculture, education, health, and sanitation.

To show you how the program works, where all the agencies of our Government bring to bear the great technical experience which is ours, take the case of Ethiopia, which has potentially as fine land and as great a productive area as you find anywhere in the equatorial areas of the world, located high, with an altitude running from 5,000 to 8,000 feet, the great plateau.

They have no roads; in fact, most of the interior of Africa has never had the wheel. As you go through the country you are amazed at the fact that the highways are practically nonexistent. The World Bank has made a loan for the building of a road which will begin at Gimma, which is 160 or 170 miles southwest of the capital and will

extend through the capital and on down to the coast to the newly granted facility in Eritrea, the port of Assab, on the Red Sea.

This loan was made and it is a relatively small one, involving only a few million dollars. The Ethiopian Government is putting up two or three times as much as the loan from the World Bank, but the Bureau of Public Roads is furnishing the director who will supervise the building of this great road which gives them for the first time an outlet to the sea.

From Israel comes a request for someone to come and go over their highway system. They built about 2,000 kilometers of surface road. The traffic has increased and they are having some difficulty with certain sections.

This director from Ethiopia went over for 2 weeks and, with the engineers working on it, studied the roads and on the basis of that made his recommendation as to what they need. They need two men—one soils engineer with a small mobile soils laboratory, and one structural engineer.

So the service of this man from the Bureau of Public Roads is not only making it possible for Ethiopia to have a reliable highway built with the funds at their disposal, added to the funds made available by the World Bank, but in addition it is possible for the neighboring countries to get technical counsel at the lowest possible cost.

We have operated on that basis. In like fashion provision is made in the act for using private facilities as well as public. We have entered into agreement with a number of the land-grant colleges of the country to furnish cooperation and assistance.

For example, we have called on the colleges of Utah to aid in the Iranian program. Dr. Harris, who is there directing the program, has a growing number of assistants coming to him from the colleges of Utah, agriculture from the land-grant college, and doctors and nurses from the University of Utah, and other aides and technicians from the Brigham Young University.

These people will work there as a unit under contract. In like fashion we have entered into agreement with the University of Beirut for a program of training these young people in the immediate area of the Middle East, and from East Africa.

It can be done much less expensively there by merely adding a few technicians to the staff of the American University of Beirut, which has been in continuous existence for more than 80 years, and where the leadership in the Middle East and in East Africa has largely been trained.

I spent more than a week in this visit in Ethiopia in the company of the Minister of Agriculture. When we discussed this plan he gave it hearty approval and said that he himself was a graduate of the American University of Beirut. So we are following along the plan of training.

The truth is that the whole program is in the main a training program. The big need in every underdeveloped area is for a reliable, trained, local leadership, and consequently we are seeking as best we can to encourage this type of training.

In other words, Mr. Holmes, who appeared before you at the hearing the other day, and who is in the room now, has said that the need of India is for 50,000 young men who are trained in the agricultural production and procedures.

That doesn't mean necessarily 4 years in college, but it does mean gradually assembling from the native population of those countries the ablest and best young men whom we can find available, and by short courses and intensive training train them to carry on the work in their own country on somewhat the basis of the county agents in our own country, and following somewhat the same procedures.

It took us between 25 and 40 years in this country to develop an extension service, agricultural and home economics. With this accumulated experience we can quickly train people in the centers of those countries with whom we cooperate.

I think, Mr. Chairman, that is about the statement that I would like to make. We are less than a year old. We are operating in 32 countries. We are cooperating with the agencies of government, and as the law provides for coordination of all existing technical cooperation programs and those that may hereafter be created, we have tried to carry out that provision of the law with some measure of success, I think, and in addition to that we have had the wise judgment and the long experience of the United States Departments of Agriculture, Commerce, Interior, and all the rest cooperating with us in a way that makes it possible for us to bring the whole impact of the experience of our Nation to bear quickly in these nations with whom we are cooperating.

Chairman RICHARDS. Thank you, Dr. Bennett.

Mr. Chipfield?

Mr. CHIPFIELD. How do you integrate the point 4 program in Central and South America, for example, with the IIAA program?

Dr. BENNETT. I have a statement on that that I would like to file if agreeable.

Chairman RICHARDS. How long is the statement?

Dr. BENNETT. Two pages.

Chairman RICHARDS. Without objection, that will be filed at this point.

(The report was filed in the record at this point.)

ROLE OF THE IIAA IN THE POINT 4 PROGRAM IN LATIN AMERICA

Under the act for International Development, the Administrator of the technical cooperation program has been given responsibility "to coordinate and direct existing and new technical cooperation programs."

There were two existing technical cooperation programs in Latin America when the act was passed. One was the program of the Institute of Inter-American Affairs. The other was the scientific and cultural cooperation program being carried out under Public Law 402. These programs have been continued in 1951 under the policy direction of the Technical Cooperation Administration (TCA).

The IIAA activities which became a part of point 4 involved an expenditure of approximately \$5,000,000 per annum. The Institute has been operating comprehensive country programs in the three fields of health and sanitation, education, and food supply. During 1951 I have authorized expansion of a number of the Institute's going programs. In addition, I have allocated to it funds for the initiation of four new programs in education, three in health, and three in food supply. The IIAA now has a total of 10 country programs in education, 17 in health and sanitation, and 7 in food supply.

Of the \$11,500,000 authorized for projects in Latin America during 1951, \$8,828,000 was made available to the IIAA. The remaining \$2,747,000 was used primarily for the continuation and expansion of projects which had been carried on previously by participating United States Government agencies under Public Law 402. About 60 percent of this amount (\$1,450,000) was allocated to the United States Department of Agriculture and the remaining 40 percent went

primarily to the Departments of the Interior, Commerce, Labor, and to the Federal Security Agency.

The Department of Agriculture is responsible to TCA for rubber development work in 10 Latin-American countries and is undertaking agricultural research work in about a dozen countries. For example, it is working on kenaf in Cuba, tobacco in the Dominican Republic, forestry in Panama, and projects in entomology in Columbia. In a few instances some work has been done by the United States Department of Agriculture also in agricultural extension in countries where there are no IIAA food-supply programs.

The Commerce Department has been asked to undertake projects in a number of countries in civil aviation, highways, geodetic surveys, and technical standards. The Interior Department's projects are in irrigation, mineral resources, fisheries, and geological investigations. The Federal Security Agency has a few projects under way in specialized fields of health.

Thus far there has been no special organization set up within each Latin-American country to supervise all the point 4 activities under way in the country. Coordination and supervision have been accomplished through the chief economic officer at the diplomatic mission. Steps are now being taken, however, to establish in each country a Director of Technical Cooperation who will be under the general supervision of the Chief of Mission and who will be responsible to TCA for supervising and directing all point 4 activities in the country and for closely coordinating them with the multilateral programs.

I feel that we are fortunate in having made an excellent beginning in Latin America. The service device developed by the IIAA involving joint organizations within the structure of the host government, joint contributions to program funds, and strong emphasis on the training and use of local personnel, is one of the most effective mechanisms yet developed for carrying on technical cooperation activities. I believe we should expand this operation in Latin America and take full advantage of this experience in organizing our work in the Eastern Hemisphere.

I propose to bring the headquarters organization of the IIAA in Washington into closer organizational relationship with TCA in the interest of economy and efficiency and in order to take fullest advantage of its experience in the administration of the entire point 4 program. However, I am in favor of retaining the corporate entity of the IIAA, utilizing it as an operating arm for administration of the program.

It is not possible to state definitely at this time what portion of the \$18,000,000 requested for bilateral programs in Latin America in 1962 will be utilized through the IIAA. This will depend upon actual program requests from the governments concerned and upon negotiations to be undertaken when funds become available. It appears probable, however, that from two-thirds to three-fourths of the total Latin-American program in 1962 will be administered through the corporation.

Mr. CHIPERFIELD. Do you feel there was a duplication of effort in those two programs?

Dr. BENNETT. No, sir. I think this: That the institute has carried on since its inception an excellent program. I found it so. We have cooperated together. Mr. Iverson is here. I think he would be the best judge. He could answer that question if we have had conflict.

Mr. CHIPERFIELD. Do you happen to know offhand what percentage is point 4 in South and Central America and what percentage is IIAA, as being asked under this bill?

Dr. BENNETT. The institute program in the bill which we have, under which we are operating now, out of 35,000,000, 5,000,000 was for the IIAA. We added to that—I mean voluntarily, after consultation with Mr. Iverson and visiting to the field—we added to the program of the institute \$2,740,000 in round numbers.

There is no conflict. In fact there is the closest cooperation and coordination.

Mr. CHIPERFIELD. Thank you very much, Mr. Chairman.

Dr. BENNETT. I will file this with the committee.

Chairman RICHARDS. If you all could not get along together, what would happen? Who would decide the differences?

Dr. BENNETT. I cannot conceive of how there would be conflict because it is all one program, working hand in hand. In other words, the whole concept is the same. We are working jointly.

Chairman RICHARDS. Mr. Gordon?

Mr. GORDON. No questions.

Chairman RICHARDS. Mr. Vorys?

Mr. VORYS. Dr. Bennett, you mentioned 32 countries.

Dr. BENNETT. Yes, sir.

Mr. VORYS. In your printed statement it mentions 36 countries. I wondered about that.

Dr. BENNETT. You see, we were authorized to coordinate the existing programs which were then going on. Under Public Law 402 there were programs in Burma, El Salvador, Guatemala, Thailand, and Venezuela. We have no point 4 agreements, but there were programs going on at the time this act was created which we took over and have carried on for this year.

Mr. VORYS. What act were they under?

Dr. BENNETT. This was under the—

Mr. VORYS. Information and exchange?

Dr. BENNETT. This old law, I forget the number. Public Law 402. I forget the title. It is the so-called scientific and cultural cooperation. Smith-Mundt.

Mr. VORYS. Is India under that one?

Dr. BENNETT. No, sir. It is under separate point 4 agreement.

Mr. VORYS. The Smith-Mundt exchange programs—are those carried on separately from your program now?

Dr. BENNETT. We were authorized to carry on the programs which were then in operation.

Mr. VORYS. But since then. The appropriations for the IIAA information and educational exchange program—

Dr. BENNETT. It is still going on.

Mr. VORYS. That is for exchange of persons?

Dr. BENNETT. Yes, sir.

Mr. VORYS. That is quite an extensive program there. Do you have anything to do with that or does that go on parallel to you?

Dr. BENNETT. Will you answer that, Mr. Gordon?

Mr. MARK GORDON. That program is still going on. The same people in the field screen candidates for training in the United States, both under point 4 and under Smith-Mundt. In other words, there is coordination both in the field and back here in Washington.

Our persons, people we bring to the United States for training, normally are in specific fields such as in agriculture, rather than being brought to the United States for general education. They are being brought for specific occupational training in a particular field.

Mr. VORYS. Who is the coordinator?

Mr. MARK GORDON. In each embassy the public affairs officer and his staff does the screening of candidates nominated by the host government. The point 4 representative on the economic staff sits with them in determining which ones to nominate to Washington for point 4 training awards.

Mr. VORYS. Can you tell me how much point 4, or technical cooperation, there is in ECA? Do you coordinate that?

Dr. BENNETT. No, sir.

Mr. VORYS. That is separate?

Mr. BENNETT. That is right.

Mr. VORYS. For instance, we have an item to teach European countries more about production.

Dr. BENNETT. That is under ECA.

Mr. VORYS. And ECA has an exchange of persons, too?

Dr. BENNETT. That is right.

Mr. VORYS. Do you know anybody who knows where we could find out how much money and how many different people are being exchanged in these three programs?

Dr. BENNETT. We can furnish information on our own.

Mr. MARK GORDON. We can on our own and Smith-Mundt.

Dr. BENNETT. We will be glad to file that with you. We can do that shortly.

Mr. VORYS. I wonder if you were planning to file a summary of it, of the various programs.

For instance, you are quite familiar with Mr. Holmes' program. He is very enthusiastic about it.

Dr. BENNETT. Yes, sir.

Mr. VORYS. We find there are about three or four programs going on in India. I wonder if you had here available just a list of what the programs are, a brief description of them, and of the people involved, classified either by countries or by various activities.

Dr. BENNETT. I will be glad to file such a statement with the secretary of the committee.

Chairman RICHARDS. Do you want that for the record, Mr. Vorys?

Mr. VORYS. I just want it for me. I don't know whether you want it for the record or not.

Chairman RICHARDS. Do you want to incorporate it in the record or as an individual report?

Mr. RIBICOFF. I would like to have that information myself. I think it should be in the record.

Mr. VORYS. Going over our hearings, when you say "file it for the record," there is a place in the record "The material is as follows," and it is not there.

Chairman RICHARDS. I think that would be valuable information for the members of the committee.

Mr. VORYS. I would like to see it before it is printed up.

Mr. RIBICOFF. I do not mind a copy going direct to Mr. Vorys as long as eventually I can have it myself. I do not want to bypass the gentleman.

Mr. JAVITS. Are we sure that there will be included not only Smith-Mundt and TCA, but anything that the Departments in any country in exchanges of personnel and technical assistance?

Mr. VORYS. Can you get that or do you know anybody in Government who can get that for us?

Dr. BENNETT. We can try. We can surely furnish it for TCA and for Smith-Mundt.

Mr. VORYS. Is there somebody from TCA who can get it?

Mr. COOLEY. Yes, sir; we can get it.

Mr. VORYS. Are there others besides those three?

Mrs. KELLY. United Nations.

Mr. VORYS. Can we get that?

Dr. BENNETT. That will be included in TCA.

Mr. JAVITS. And the Departments?

Mrs. KELLY. Why can we not get it from the State Department?

Mr. VORYS. I would like to see it. I imagine the committee would.

Dr. BENNETT. If you would like I will make the effort to get the material for you.

Mr. VORYS. Thank you.

Dr. BENNETT. I cannot guarantee complete delivery but I will be certain to furnish you a part of it, and I will do that promptly.

Chairman RICHARDS. That will be inserted in the record if there is no objection.

(For information requested see appendix, p. 1573.)

Chairman RICHARDS. Mr. Battle?

Mr. BATTLE. No questions.

Chairman RICHARDS. Mr. Smith?

Mr. SMITH. Dr. Bennett, can you furnish for the committee a breakdown of personnel?

Dr. BENNETT. Yes, sir.

Mr. SMITH. And if there is any contemplated date, we would like that.

Dr. BENNETT. Thank you.

Mr. SMITH. I request the chairman to have that information placed in the record at this point.

Chairman RICHARDS. If there is no objection that will be inserted in the record.

(The information requested is as follows:)

DEPARTMENT OF STATE,
Washington, August 1, 1951.

HON. JAMES P. RICHARDS,

Chairman, Committee on Foreign Affairs, House of Representatives.

MY DEAR MR. RICHARDS: I am pleased to furnish the attached statement showing a breakdown of point 4 personnel as of June 30, 1951. This statement was requested for the record by Hon. Lawrence H. Smith on Monday, July 30, during the hearings on the Mutual Security Program.

I have sent a copy of this statement directly to Congressman Smith for his personal information.

You will note that the breakdown shows a substantial number of persons employed in Washington at the present time. This has been necessary during the first year of point 4 operation because of the complex job of program planning and administrative planning, the need for developing training programs in the United States for foreign nationals, and the large amount of negotiation necessary with private organizations of many kinds in order to lay the foundation for long-term cooperation with them. I have looked into this matter very carefully and I am hopeful now that we can develop our field programs as projected in the 1952 request before your committee with relatively little increase in our Washington staff.

Sincerely yours,

HENRY G. BENNETT,
Administrator, Technical Cooperation Administration.

BREAKDOWN OF POINT 4 PERSONNEL

On June 30, 1951, 1,467 persons were at work, paid from funds appropriated to finance title IV of Public Law 535. This total includes all field personnel and Washington personnel of the Department of State, including TCA and the Institute of Inter-American Affairs, and of the cooperating departments and agencies.

There were 684 technicians at work on foreign assignments, including 233 people employed by private contractors, the balance being employed by the several technical agencies cooperating in the field operations of the program.

An additional 200 program technicians were employed in the United States engaged in rendering various supporting technical, advisory, and consultative services for those who were working abroad and in rendering technical assistance to foreign representatives directly.

There were also 164 local employees working in the field, including local technical and professional personnel.

There were 410 people in Washington engaged in executive, administrative, planning, fiscal, and reporting activities. Included in this total were full-time and part-time employees, approximately the equivalent of 54 full-time workers, engaged in operating the foreign-trainee program.

A tabulation of field personnel by country is given elsewhere in the record along with the list of point 4 projects now under way.

Mr. SMITH. As I understand your statement, in effect what we are attempting to do in this legislation is to furnish technical assistance to the so-called underdeveloped areas throughout the world. From that are we to understand that these countries are not in position financially to finance the hiring of technicians on their own account?

Dr. BENNETT. In the main that is true.

Mr. SMITH. The amount is not so very great?

Dr. BENNETT. No, sir.

Mr. SMITH. That surprises me when you say that they are not able to take care of a technical-assistance program of this kind. We can buy brains any place, can't we? Certainly they ought to be in a position to do the same thing.

Dr. BENNETT. The difficulty, of course, I think, is in organization. You take, for example, in most of the underdeveloped areas, you could name any of these with whom we work, you will find illiteracy is high, the national income is quite low, and the whole concept is to build up the economy of the country.

Take Ethiopia. I refer to it only because it is fresh on my mind. In Ethiopia the country has been shut off from the world. The majority of the people are in poverty, they are illiterate, the national income is low, and the need of the country is so great for education, for health and sanitation, and for the improvement of agricultural production per acre, and likewise for each man who works the soil, and that is true in Bolivia; it is true in Paraguay; it is true in India. I know of none of the countries with whom we have entered into agreements that that is not the case, where the countries themselves are poor from the standpoint of the individuals and from the standpoint of the governments likewise.

Mr. CHIPERFIELD. Will the gentleman yield?

Mr. SMITH. Yes.

Mr. CHIPERFIELD. In these programs you go down to such detail. I have Ethiopia before me. You are going to furnish in one program there five field hoes and six garden hoes. They could buy five field hoes or six garden hoes without going clear over to America and bringing them from here. It seems so to me, at least. What have you to say about that?

Dr. BENNETT. Of course, as Mr. Holmes pointed out to you in his testimony about the plows for India, you must see something better before you know better. I have been in the fields in Ethiopia within the last 10 days where boys were down on their knees with a crooked stick with two little points on it like that, of metal, hoeing the ground.

I have been out in the fields where they were plowing, just this last week, where they were plowing with a crooked limb and with just a

straight piece on it. In fact, I got out in the field and tried to plow with one myself.

If any of you have ever undertaken a difficult job, you try that—a couple of bullocks with a primitive yoke pulling a crooked limb to scratch the ground with a crooked plow and a straight stick to hold it by.

The point is that you have to make a beginning. You have to begin where they are and use what they have. It is hard for us, gentlemen, to realize. It is difficult for any of us to realize the gradual evolution that has come in agricultural equipment in our own country. It is hard for us to know that it just comes step by step. You do not go by a single bound. The program is just one of leading them along as fast as they can go.

Mr. SMITH. We are looking to the improvement of the economic status of these people, are we not?

Dr. BENNETT. That is right.

Mr. SMITH. We were doing the same thing under the Marshall plan. We poured billions of dollars into Europe—getting back to an old theme of mine now—yet we find that we actually have not been raising the standard of living in Europe very much; notwithstanding, we are going to pour a like number of billions in this program with the same kind of result we were getting there?

Dr. BENNETT. This is quite a small program. I think you might say it is a shirt-sleeves, grass-roots program. The amount of money which we have had is negligible. We are beginning at the bottom, where the people are, with the simplest things we know.

For example, most of the wheat of the world is harvested with a little sickle, the hand sickle the length of this gavel, with people on their knees. It has been demonstrated that you can straighten that out into a straight blade, put a handle on it and let a man stand up and he can do eight times as much work.

Why they have not thought of it themselves, I do not know. But we must remember that the wheel has never found its way into central Africa, as yet. You can go anywhere in the Far East or the Near East and you find the bullock still furnishes the draft power.

The procedures are practically the same all over these underdeveloped countries, with the most simple things. The program which is point 4 is not an expensive program. It is just a plain grass-roots program beginning where the majority of people are. They are farmers.

Mr. SMITH. Is there any termination date in this bill on this program?

Dr. BENNETT. The program itself, we work ourselves out of business in a comparatively short time.

Mr. SMITH. How long a period do you think a short time is?

Dr. BENNETT. Frankly, the point-4 program was set up as a simple program to share with these people the advances which we have made. The presumption is that as they develop we ourselves gradually come out of the picture. That is the reason that I have said it is primarily a training program.

When Mr. Holmes gets through with the training of his boys in India—and I think he told you, he told me, that in a matter of 10 years India should be a self-sufficient country instead of having to depend, as they have, on the outside in recent years.

Mr. SMITH. I hope you are right, Doctor, but I have a fear that it will be ad infinitum.

Dr. BENNETT. My own concept is that if we share the knowledge which we have, teach men to start with what they have, and use it and produce more—you cannot have more if you do not produce more, and I have been dealing with farm situations throughout the years. I have been in the extension program practically since its beginning in this country.

I do not see anybody here who has lived since long before the turn of the century. I know one man in the room who was here when the century turned; 50 years ago in this country we certainly had a primitive agriculture, comparatively.

The Georgia stock, the bull-tongue plow, and the bull sweep, the old-time blue Kelly turning plow, the simple tools we had, we were able to cultivate 25 or 40 acres of land.

Mr. SMITH. How did we get out of it?

Dr. BENNETT. We got out of it just step by step. That is the thing we are trying to do with these people, not bounce them from where they are, or vault them, but carry them by easy steps.

Mr. SMITH. Who carried us?

Dr. BENNETT. The fact of the matter is that our roads in this country were built by borrowed money from Europe—I mean our railroads—and that was the beginning of transportation. The pioneer spirit carried us along, of course. The financing of the American operation could not have been carried on with the great transportation system which opened up the great agricultural areas by our own funds alone.

In fact, it has been just slow evolution. We can wait on that for the other countries, but they are the best customers we have. They furnish us practically half of the imports which we have of raw materials. They will take from us over 50 percent of all our exports.

The truth is that right now we are beginning; take a little country like Liberia, where we are working. Iron ore is coming from Liberia to this country right now to add to our needs. They are producing rubber in great quantities. They are producing cocoa.

The fact is it is good business to develop our customers and our associates and allies in the free world, and this program is a part of the effort of our Government to share our technical skill and our scientific knowledge with them. In fact, in the last 50 years more progress has been made in the science and technology than had been made in previous hundreds of years, but unfortunately the advances were made in a limited area, a part of Western Europe, the United States and Canada, and Australia.

The result is that we have this accumulated knowledge of how to produce more. We have to begin with the land. That is where the new wealth all comes from, either in the form of minerals, oil and gas and the like, or primarily from this top soil from which we take our crops. And the only way these under-developed areas can have more is to produce more.

That means to produce more for each measure of land. It means to produce more for each pair of hands. And that is the only way they can have more. Since they are our customers, our friends, they import from us and they export to us.

We are dependent upon them and they are dependent upon us. The average income in these areas is less than \$100 per year. To illustrate, we are trying to get capital to go into these countries. We have encouraged the investment of capital there. But when you go into a country where they have, as they do in these countries in Africa, millions of cattle, and consequently millions of hides, when we encouraged a man to put in a shoe factory, tanning the hides and making the shoes there, he was very enthusiastic. But when a survey was made and he discovered that the average income was only \$70, he said that would be putting the cart before the horse. Let's wait a little while until the income of the people comes up.

That is what we are trying to do, to increase the productive power of the underdeveloped countries and to increase the productive power of each pair of hands on the farms of these countries, and in that fashion we think that progress can be made.

They cannot do it themselves.

Mr. SMITH. Thank you.

Chairman RICHARDS. Mr. Carnahan?

Mr. CARNAHAN. No questions.

Chairman RICHARDS. Dr. Judd?

Mr. JUDD. Dr. Bennett, the thing about your testimony that pleases me most is that obviously you understand what this committee had in mind when it prepared and backed the Technical Cooperation Act. Your emphasis on training and sharing of know-how, and the very things that have made possible here the remarkable development which the gentleman from Wisconsin has referred to, is precisely what we wanted this program to do, and you obviously understand it.

I notice that you say that your projects provide for the employment of over 1,200 technicians.

Dr. BENNETT. That is right.

Mr. JUDD. That is American technicians?

Dr. BENNETT. That is American technicians.

Mr. JUDD. Are you contemplating the hiring of qualified personnel in the countries themselves? That is, here is a boy from Abyssinia, Iran, China, or some other place, who has been trained in the United States. He is just as good as an American trained in the same university. In some respects better, because he knows the people and the language and people of his own country. Are you contemplating hiring such a man in your program or having him used by the local government in cooperation with you?

Dr. BENNETT. They will be taken care of by the local government and cooperate with the American technicians.

Mr. JUDD. Then you will not be hiring people except Americans?

Dr. BENNETT. That is right.

Mr. JUDD. Is your greatest shortage American money or is it the right kind of technicians and personnel?

Dr. BENNETT. Frankly, the universities of the country have cooperated with us. The land-grant colleges of America have pledged themselves to help in the program. I have met with the deans of the land-grant colleges and have their assurance of cooperation. They are cooperating with making men available. In fact, we are building up this great pool of personnel. It looks difficult and it looks like it would be robbing the country, but it is not. Every univer-

sity and college in the United States is making a small curtailment in personnel due to the decline of enrollment, which is slight, on account of the draft and on account of the graduation of so many of the boys who have been benefited under the GI bill of rights. I have been assured the cooperation of President Fred, of the University of Wisconsin, for example; of the State colleges of every State in the Union. I have met with them in a body as they were here in Washington.

Mr. JUDD. Are you familiar with the work that Cornell University started more than 30 years ago in connection with the University of Nanking, whereby Dr. Love and Dr. Meyers and some other agricultural experts would go to the University of Nanking for a year at a time in exchange for some Chinese professors who came and taught in Cornell?

Dr. BENNETT. Yes, sir.

Mr. JUDD. You are planning projects of that sort?

Dr. BENNETT. Exactly. That is a demonstrated method.

Mr. JUDD. Those agricultural research and education projects during the last three or four decades have done most of the groundwork, developed the basic information, sorted out the best techniques and discarded the others. You can now use this basic information to move ahead at a much accelerated rate. Is that not true?

Dr. BENNETT. Exactly. That is exactly correct.

Mr. JUDD. Do you find this: That when you set out to produce more food the people have to have better health?

Dr. BENNETT. Exactly. That is the reason that we are trying to build up these projects jointly. In Egypt, for example, the projects are being built in this fashion: They are doing it themselves, their own money. They have three programs in one. They can be found like in every county seat building a rough V-shape. On the left, agriculture. In the center, education. On the right, health.

I think one of the most impressive things that I have ever seen in my life is in the delta of Egypt. They have a local sculptor who has worked out a monument of three young women, one holding the cornucopia, production; one holding the open book, education; and one holding this insignia of the physician, age old, on the right. These three are there in front. It is a beautiful piece of statuary. Then, right back of them, are these three buildings joined together in one: production, agriculture, education and health. They go hand in hand.

I am not so certain that these peasants in Egypt have not out of their cooperation come up with an idea that ought to be a world-wide concept. They have to go together.

Mr. JUDD. But it was not those peasants who had discovered that. The foreign mission boards learned that long ago. They originally set out to try to save souls. They found they could not save many souls until the bodies were in better condition. And they could not get that without better education. Furthermore, they discovered another step was necessary. You do not get much better education and better health and better food production until you have better local government and community organization. Irrigation, for example, depends upon community decisions as to how the water is going to be divided and where the dikes are to be built.

Health also depends a lot upon better local government and working together to handle communicable diseases and inspection of food and milk and so forth. So that a fourfold program dealing with the whole man and the whole community inevitably follows starting out on any one of these courses. In the last analysis, the answer to the question of why did we make such progress here and other countries didn't, lies in the basic philosophies of the government.

I read that a preacher was kicked out the other day because he said America had to share its wealth with the world. Now, if sharing the wealth of America would solve other people's problems, I would be in favor of it. But it cannot. What they need is the secret of our wealth and health—why our people have created it and so many others have not. The secret is the philosophy of government and life and social organization that prevailed here—the right of the individual as against that of the family, the clan, the class, or the state.

I congratulate you on the exposition that you have given us. I think this program in the long run carries greater hope for the kind of world we all want to live in, than all the rest put together. They are, in fact, all holding operations to give you a chance to do your job.

Dr. BENNETT. Thank you. That is my feeling exactly. I appreciate your statement.

Mr. GORDON (presiding). Mr. Ribicoff!

Mr. RIBICOFF. Do these technicians live with the people in the country, or do they set themselves apart with a group of Americans or a group of westerners?

Dr. BENNETT. They live with the people. The whole concept of our approach is this: That you cannot come to say "Listen to me, listen to me," but you must come with an approach of "Let's try this, it has worked somewhere, and try it together." Mr. Holmes, who appeared before you, lives with the people, works with the people. He does not ask them to do anything that he will not do himself. That is the biggest trouble that you have with the young people who have been educated from foreign countries and sent to this country for education, rather, in our schools. Most of them want a black-coat job when they get back.

It has been most difficult to get the educated man out in the fields doing the work. They want to tell somebody how to do it. Consequently, in the indoctrination course which we give those who go out from here, in this period of a month they spend together, we try to stress the very point that you have in mind. They have to live with and work with the people on a common level of equality. If you cannot do it you cannot effectively carry out the concept of point 4.

Mr. RIBICOFF. You are to be congratulated because I think this can be one of the greatest influences to be contributed by the United States. Do you also find in going out to the land-grant colleges, to get them to enlist some of the graduates, that they are enthusiastic to go out in the world and participate?

Dr. BENNETT. They want to do it. I was at the University of Wisconsin about 8 weeks ago. I spent 3 days there. They came to me and I talked to the young people. The Department of Agriculture met with the faculty and with the president. They want to go. Here is what they are insisting: Do not make us wait until we have had long years of experience. Let us go and serve an internship, just

like a doctor does, and we will work for the cost of our living, if you will let us go.

I talked to a group of 10 or 12 of the most competent group of people that I have met anywhere, who solicited and begged for the opportunity.

Mr. RIBICOFF. The chances are that if the United States started out on that program you could enlist untold thousands of young people in the United States to do that type of work, could you not?

Dr. BENNETT. Yes, sir.

Mr. RIBICOFF. Do you know of any better way to combat communism than to send our young people who are enthusiastic, as pioneers in other countries, to work with other people and to show what Americans are like and what Americans can really do to help other people in the world?

Dr. BENNETT. I cannot conceive of anything which would mean more in this battle for the hearts and minds of men. I cannot conceive of anything which would mean more to help us win this battle of hope.

Mr. RIBICOFF. So this is a program that should be encouraged that would not cost us very much money to do.

Dr. BENNETT. It is country prices.

Mr. RIBICOFF. You got these agreements going with approximately the 32 countries now. Do you get much publicity about these agreements? Is there much talk about it in the countries, in the host countries themselves?

Dr. BENNETT. Yes, sir. The fact of the matter is that in Egypt last week when I got there they carried me to the Embassy. We had a news conference with 30 representatives of the press. We spent 2 hours together. They were wanting to talk about the program and its implications, and what it could do and what it is doing. When we got through, the Egyptian Broadcasting System wanted me to go down and broadcast and talk about point 4, and how it will operate in Egypt, over the Egyptian Broadcasting System, which I did.

I mean that is the kind of response we get everywhere. The people are enthusiastic every where, in Latin America, in the Middle East, and around the world.

Mr. RIBICOFF. Let's take Syria. They sort of turned you down.

Dr. BENNETT. They turned us down—they postponed it, they shelved it, for the reason that there was difficulty at the moment with their neighbors, and firing was on—not heavy, but there was difficulty, they were very tense. The Government was about to change. My judgment is that Syria, which is the only one of the middle eastern countries remaining without a contract, and Yemen—and by the way, Yemen is interested, from all indications; I think that will come in the near future.

Mr. RIBICOFF. I want to congratulate you on your work and your testimony, Doctor.

Dr. BENNETT. Thank you.

Chairman RICHARDS. Mr. Fulton, any questions?

Mr. FULTON. We have the Chinese students being educated in this country. The problem arises, when the time comes to a close when these students will be off their educational program, what happens to them? As it now stands, under the legislation they are left pretty much to themselves. I understand 27 of them have now turned Com-

munists and gone back to Communist China. Would it help you to have that program now moved over under your supervision in point 4 so that those students could be integrated in this economic missionary work that you are interested in? In leaving these students flounder, they go off the end and there is nothing for them to do.

Some of them felt that they had to go back to China and become Communists to get by. If we were just training Communist technicians in that program, some of us would not have voted for it. My question is, could you integrate that program, which is a separate program, under this point 4 program?

Dr. BENNETT. You mean use the Chinese to train technicians? I think from the standpoint of national policy some program should be worked out to use them because as you point out they cannot go home unless they embrace this philosophy of communism. I think national policy would demand that some program be worked out for them.

Mr. FULTON. Can you work it out within the four corners of the policy that you are administering? We would like to have something like that worked out with you, because in concluding this other educational program, finishing brings these students to a dead end, and we are very quickly coming to it.

Dr. BENNETT. I know many of the Chinese students. I have taught them for the last 30 years, I mean some of them, from the various programs, from the funds from the Boxer endowment, and they are high-class people who have come to us. They are the cream of the crop. I would be glad to undertake it. I am certain of this: From the standpoint of national policy, we can't afford to just turn them back. We cannot afford to do it from the standpoint of national policy as I view it.

Mr. FULTON. Could you come up to this committee with a suggestion of how these Chinese students could be fitted under the point 4 program, with a recommendation as to type?

Dr. BENNETT. I will be glad to discuss it with my associates and come back to the committee with our judgment.

Mr. FULTON. Thank you.

Mr. GORDON. Mr. Bureson?

Mr. BURESON. I have no questions, thank you.

Mr. GORDON. Mr. Javits?

Mr. JAVITS. I want to join my colleagues and commend you on a fine elucidation of your position and what seems to be the rudiments of an excellent job. I think your figures need straightening out. They are clear as to the \$4 million which would go out of the Latin American program to the Organization of American States, and to the United Nations, but not clear with respect to what will go to the United Nations out of title 2, the Near East, and title 3, Asia. There apparently the amounts which are earmarked for the UN would come out of individual country allocations.

I do not want to take your time or mine now extracting that from the list of country allocations we have. I think we should have that furnished for the record.

Dr. BENNETT. Representatives of the United Nations are here. I think that that can be done. We will be glad to do that.

Mr. JAVITS. So that we will know what countries' allocations contain the United Nations allocations.

(The material referred to is as follows:)

It is anticipated that a small part of the technical assistance proposed under the Mutual Security Program will be furnished through multilateral agencies. We plan to make available to the Organization of American States \$1,000,000 and to the United Nations and the specialized agencies an amount not to exceed \$12,000,000.

If a total of \$18,000,000 is actually utilized in this manner the amount involved in bilateral programs would be reduced by a corresponding amount. To make up the \$18,000,000, the proposed program under title I (Europe and DOT's) would be reduced by \$342,000, title II (Near East and Independent Africa) by \$3,744,000 and title III (Asia and the Pacific) by \$4,914,000. The amount of \$4,000,000 for multilateral programs in Latin America is already shown separately.

The bilateral program proposed for title II then would be reduced to \$1,258,000 and for title III to \$257,588,000. The estimated distribution of these amounts by country is being furnished to the committee separately.

The country distribution of amounts to be allocated for multilateral programs will be determined by the UN and specialized agencies in connection with their total program plans.

The distribution of technical assistance funds among the UN and the specialized agencies at the present time is determined by the UN Economic and Social Council on which the United States is represented.

Mr. JAVITS. Are we taking all the young people now that are really needed overseas, or are we not?

Dr. BENNETT. You mean are we sending as many overseas as we should?

Mr. JAVITS. Right.

Dr. BENNETT. No, sir; and the only reason for that is that it takes 90 days for clearance. We just have not been able to clear them fast enough to meet the demand.

Mr. JAVITS. We have a bigger demand than we are supplying?

Dr. BENNETT. A far greater demand than we are able to supply up to date.

Mr. JAVITS. Do you have a money problem?

Dr. BENNETT. So far we have gotten on very well. We have tried to live within our budget. We have sought to follow the will of Congress in the handling of these funds.

Mr. JAVITS. When I say do you have a money impediment, I mean are you refraining from sending people to staff these programs because you do not have the money?

Dr. BENNETT. Not yet; no, sir. We have had enough, so far.

Mr. JAVITS. Do you see enough in this program that we are discussing now so that you can meet as much of the demand as the mechanical facilities will allow, that is, clearance, et cetera?

Dr. BENNETT. Yes, sir. With the money that is provided for in this act we can meet the requirements.

Mr. JAVITS. Is there any impediment in training facilities; are you deficient in those?

Dr. BENNETT. No, sir. We are getting on very well there. We have had the cooperation of the American colleges and universities. Many of them are taking students, you know, without any cost at all. That is, they are offering fellowships for students here and there. There is a great amount of that. So far we have been all right.

Mr. JAVITS. When a foreign country desires a technician which it is willing to pay for, do you have any way of recruiting such technicians?

Dr. BENNETT. Yes, sir; we are able to do that.

Mr. JAVITS. You run a recruitment program?

Dr. BENNETT. Yes, sir. We are building up—what we are building is a pool of trained people, and getting them cleared by the FBI, so that they are eligible to serve under the provisions of the act.

Mr. JAVITS. I was asking another question, Doctor. I was asking in the cases where the foreign country wishes an American technician and is willing to pay for him, will you help them find one?

Dr. BENNETT. Yes, sir.

Mr. JAVITS. And will you do that?

Dr. BENNETT. Yes, sir. We are doing that.

Mr. JAVITS. Will you give us a forecast which will show us how many people you will have engaged, and in broad categories what they will be doing, by June 30, 1952, if we give you the money that you are asking for under this bill?

Dr. BENNETT. I will be glad to. We will be glad to assemble that and put it in the record at this point if agreeable.

Mr. JAVITS. Do you not consider that an important thing for us to consider it?

Dr. BENNETT. I certainly do. You ought to know and you are entitled to know it.

Mr. JAVITS. You are making a substantial expansion of this program.

Dr. BENNETT. That is true.

(The information referred to is as follows:)

The following estimates have been made of the number of United States technicians required by June 30, 1952, to work abroad under the economic phase of the Mutual Security Program proposed in titles II, III, and IV.

Field of activity:	Number of Technicians
Joint commissions and economic surveys.....	94
Agriculture, forestry, and fisheries.....	1,106
Education and information.....	288
Health and sanitation.....	584
Industry and labor.....	171
Transport and communications.....	172
Mineral resources.....	85
Water resources and other public works.....	100
Government administration and technical services.....	170
Total.....	2,788

The above estimates include technicians to be employed through contracts with private organizations and technicians to be employed by the UN and its specialized agencies with funds made available from this program. The estimates include technicians to be employed by the ECA as well as by TOA for work in these regions.

Personnel required for the ECA European program (title I) are not included.

In addition to requirements for United States technicians abroad personnel will be needed in the field and in Washington for program planning, direction, and administration, for training programs to train foreign nationals, and for general work such as budget and accounting, procurement of supplies and equipment, recruitment, and training of personnel, and for reporting services. For that part of the economic program proposed to be administered by the Technical Cooperation Administration, we estimate a total of not more than 800 persons will be needed for these purposes by June 30, 1952.

Mr. JAVITS. Do you find a dearth of capital in these countries, materially retarding the opportunities which you folks are opening up?

Dr. BENNETT. You mean capital?

Mr. JAVITS. Yes; investment capital.

Dr. BENNETT. Yes, sir; absolutely.

Mr. JAVITS. Can you give us any figures on that which will show us what we ought to be doing about it? How the dearth of investment capital is hampering the activities, the fruition of point 4, and also is it a dearth of indigenous capital or a dearth of outside capital, and, if so, what are the proportions and so on? I think we ought to have some analysis of that so we know what to do on the rest of the bill. There is no use in giving them the finest technical service and then find they cannot do anything with it.

Dr. BENNETT. That is right. I will give you two or three illustrations of what we are doing. For example, in Ethiopia—excuse me for talking about the last one first; I have just come from there—this is my second trip there—they had no insurance company, so they have organized an insurance company with their own capital. The result is that with a little support from the outside taking a part of the stock, they are beginning to build up an insurance company of their own which, as you know in this country, has been one of the great sources of pulling together the local savings of the people. That is No. 1.

Another thing, they have no packing plant, yet they have millions of cattle. I would say between 10 and 15 million head of cattle on the range. I have never seen so many cattle. And by the way, they are in good shape. It is fine grassland. They have millions of sheep, millions of goats, poultry literally by the hundreds of thousands. You meet men coming down the road. Out of Dire Daw we met a group of about 10 men coming to market. They had a pole across their shoulders and they had 12 live chickens on each end of the pole, but no packing plants, no facilities for killing and storing their meats. Consequently, you can buy a steer in Ethiopia for practically the price of his hide, because the hide is the only thing that has value. They kill meat only to eat, today. They have no way of carrying it over.

The Emperor is very anxious to have a packing plant in. We are trying to encourage people to come in who will survey and bring capital into the country for a packing plant. They have everything.

Then coffee; I think the finest coffee that I have ever seen is in Ethiopia. That is where it originated. It is wonderful. But their cleaning facilities are crude and quite limited. They need a technician to come and show them how to process and put it on the market in the best fashion. With the price of coffee over the world, we are trying to induce private capital to go in and help them there.

What I am getting at is that they need capital from the outside, and they need to build up capital within their own countries and make it available together. That is true all over there.

Mr. JAVITS. Will you give us a memo giving us facts and figures on that, especially leading to any support or lack of it on Nelson Rockefeller's recommendation for an international economic development agency of the World Bank?

Dr. BENNETT. I will be glad to do that. I think you would be interested in the fact that the World Bank is backing these governments in an agricultural industrial development bank. They are furnishing a part of the capital. For example, they will put up \$1 million, say, of the capital of a \$3 million bank, and they will furnish the management. That is what they have done in Ethiopia and two or three other countries to which I have been, which is a move in the

direction which Mr. Rockefeller had in mind. It is a crude beginning, but it is a beginning. We will furnish that.

(For the information referred to, see appendix, p. 1576.)

Chairman RICHARDS. Mr. Hays?

Mr. HAYS. Dr. Bennett, with reference to the previous questions, as I recall it, there was the same type of objection raised when Dr. Seaman Knapp, Walter Hines Page, and others proposed the Agricultural Extension Service for our own country, that is, a feeling that the farmers "had to do it themselves"; that there was nothing that the Government could do. Is that a fair statement?

Dr. BENNETT. Yes, sir. It has taken us between 25 and 40 years to get the extension system going. I knew Dr. Knapp and his associates, and I had working with me until they died two of the pioneer county agents of the United States. The fact of the matter is that I have been identified with the movement almost from its beginning. I have associated with men who set up the Extension Service in the United States. It is new. It took us years and years and years to get the farmers to be willing to accept the skill which came from the outside, and then it was only through the chambers of commerce, the women's clubs, and the like, that we were ever able to get the home demonstration work started in the counties of the United States.

Now there is not a county in the United States, so far as I know, where we do not have an agricultural agent and a county agent—a home demonstration agent—as a minimum, and in most of them several. Their work has transformed agricultural production, farm life, throughout the Nation. It was a hard job to get the little sums that we had with which the work was begun.

Mr. HAYS. Is there some significance in the fact that the two most important agricultural programs undertaken by the Federal Government—that is the Morrill Act of 1862 and the Extension Service begun in 1915 when World War I was under way—is there some significance in the fact that both of those programs were begun under the tensions of a war situation? It may be that the people were then aware of their dependency on agriculture, of the need of a new look, you might say, on the basic productiveness of the Nation. I wondered if there might not be some connection.

Dr. BENNETT. I think there is connection.

Mr. HAYS. I do not want to press that parallel too much. But as we look at the world situation with the needs of millions of people for education and skill, it seems logical. Also we have a parallel in the farm-security program which was taken over by the Farmer's Home Administration and which continues as a loan program, soundly conceived, but the initial work was a matter of equipping the underprivileged farmers with knowledge in the simple skills of agriculture. Is that a fair example?

Dr. BENNETT. It is a fair example. And it has paid a hundredfold.

Mr. HAYS. Yes. As a matter of fact, the repayment record of Farmer's Home excels the repayment record of RFC. That is not known generally.

Chairman RICHARDS. Mr. Herter?

Mr. HERTER. Dr. Bennett, would you turn to page 4 of your prepared statement? I would like to ask you a few questions in connection with your method of organization and administration.

In that statement you indicate that the amount of money that you have allocated to different agencies of the Government, some 20 agencies of the Government, approximately, does that mean that when you secure an expert from the Department of Agriculture or Commerce or Interior, or one of these many agents of Government, that you turn over from your funds the money to that agency to pay the salary of that individual?

Dr. BENNETT. That is right.

Mr. HERTER. Then when that individual reports, does he report both to you and to that agency?

Dr. BENNETT. Yes, sir; jointly. We direct this work through them. We keep account through them.

Mr. HERTER. When you direct your work through them, it means that they have to set up in their own department some kind of staff that in turn is going to direct him and receive his reports and take care of the accounts, and so on?

Dr. BENNETT. The thing about it is that in Agriculture you see the divisions are already set up. Likewise in interior. It is a simple procedure. There is no duplication of effort there. It is just the mechanics. The bill contemplated in its wording, as we understood it—and I took it as a directive, and frankly, it is a procedure that brings us this great background of experience of these agencies of the Government.

Mr. HERTER. I am not criticizing it one way or another.

Dr. BENNETT. You want to know if it is duplicating the cost?

Mr. HERTER. That and also the fact that point 4 technical assistance is being administered in a great many other countries not by you but by the ECA under an entirely different plan of organization. In other words, wherever the ECA has a mission I understand they handle the Technical Assistance program, and out of their own funds not out of this appropriation. There every employee is an ECA aide, whether he originally came from the Department of Agriculture or not. He is an ECA employee and is an integral part of the organization.

From your figures you speak of the State Department's share in this under the title "Bilateral Program," \$7 million. I assume under your program here, that you were recruiting from some source or other.

Dr. BENNETT. That is right.

Mr. HERTER. Is Mr. Holmes on your payroll?

Dr. BENNETT. Yes, sir.

Mr. HERTER. You recruited him directly?

Dr. BENNETT. Yes, sir.

Mr. HERTER. When he returned from India?

Dr. BENNETT. We recruited him, and through the Department of Agriculture.

Mr. HERTER. They recommended him to you?

Dr. BENNETT. That is right.

Mr. HERTER. He is not on the Department of Agriculture payroll?

Dr. BENNETT. He is paid out of point 4 funds which we have allocated to the Department of Agriculture to carry out a specific job. That is a part of our payroll.

Mr. HERTER. A man working right next to him might be on the Department of Agriculture payroll?

Dr. BENNETT. If we borrowed them for a time, yes. But they are point 4 employees, just the same as when they are on our payroll.

Mr. HERTER. Mr. Holmes and this gentleman from the Department of Agriculture, when they come to report to Washington do they report to you primarily?

Dr. BENNETT. Yes, sir.

Mr. HERTER. But at the same time isn't there in the Department of Agriculture somebody else who is following all that?

Dr. BENNETT. That is right.

Mr. HERTER. In other words, you have really set up an international agency in each one of these departments with staff members abroad?

Dr. BENNETT. It was already set up. We merely utilized it.

Mr. HERTER. It could not have been set up in all these agencies. The Department of Labor, for example, you have \$350,000 there. Do they have an international branch?

Dr. BENNETT. They have an international organization.

Mr. HERTER. For the ILO?

Dr. BENNETT. That is right.

Mr. HERTER. Going on to the Bureau of the Budget, Housing and Home Finance Agency, Federal Communications Commission, Department of the Army, Post Office Department, Federal Power Commission, Department of the Treasury and so on, most of those you just take a single technician from?

Dr. BENNETT. That is right. Or we send maybe somebody there for training.

Mr. HERTER. But if this means a considerable amount, would it not soon mean that every agency of Government will have a foreign department of its own?

Dr. BENNETT. We do not try to set up departments where they do not exist. The Department of Agriculture has had its Division of Foreign Agriculture for years, at least 10 years or more. I have known of it that long. We merely are availing ourselves of their experience and their operation under the law was to be coordinated with us.

For example, the research in rubber, which is carried on in most of the tropical countries. We take that program over, you see, as part of our program, because it is vital to the welfare of our own Nation as well as to the economy of the nations involved.

Mr. HERTER. At the moment this point 4 program for technical assistance is split between the two agencies, and there have been suggestions made here during the course of the testimony that there should be a single agency to operate the entire thing. Do you want to comment on that?

Dr. BENNETT. Of course, you would expect me to have an opinion on it. It is a matter which has been referred to the National Security Council for recommendation to the President. In the light of that I would rather withhold any statement that I might make.

Mr. HERTER. We are in a rather difficult position. We have had a great deal of testimony from Mr. Rockefeller. We have had the Gray report, the Brookings Institution report, a great many witnesses recommending a single agency. I understand the executive branch of the Government had that report for 6 months and could not reach an agreement on it.

It is difficult to find the answer in a period of a week or so.

Dr. BENNETT. I should say that offhand theoretically it would be wonderful if you only had one agency with which to deal. Practically there are some things that do not mix so well. The point 4 program was set up with a certain objective. That objective was to bring or to share with the underdeveloped areas of the world the advances in science and technology which we have made.

I think had it not been for the emergency which came about by reason of the armed conflict in Korea, that the question would not have been raised. That is my judgment. Because the point 4 program was set up with a concept which is quite simple, and understandable, and direct.

My opinion is that these questions would not have arisen had it not been for the emergency in which we find ourselves. If and when the emergency passes, I feel that there will still be a place for a simple point 4 program to the underdeveloped areas of the world as a separate independent agency. That is my judgment.

Mr. HERTER. I want to thank you for one other statement you made and that is that for this year at least you had as much money as you thought you could spend in getting technicians, and so on. I was very severely criticized last year when I cut the amount down by \$10 million, thinking that the amount that was appropriated for eventually would be ample for the first 9 months of operation, at least as much as you could spend intelligently in the first year of the program.

Dr. BENNETT. We have found it sufficient.

Chairman RICHARDS. Mrs. Kelly?

Mrs. KELLY. Thank you, Mr. Chairman.

Dr. Bennett, one of the provisions of the contract agreement is that the country benefited must report to the United States that it has requested technical assistance from another nation. To date have you received any report? Has any report been received of this from the 36 countries benefited?

Dr. BENNETT. That provision was inserted for the reason that the United Nations' program primarily is involved. Food and Agriculture, World Health, UNESCO, ILO, and the like. We have kept the closest coordination between the United Nations, and we have constant interchange. When a request comes to us from a country, we file with them and they with us, and in that way we have kept it up. In other words, we have kept that close check. That was the reason for the request, to avoid, for example, a request being made for agriculture from the Food and Agriculture Organization, and a like request filed with us. If we did not have that provision then we might go ahead and expedite it, and so could the other. Then we would have confusion. So far we have had no duplication as a result of this provision.

Mrs. KELLY. If any nation gives technical assistance to a country, do they tie up that contract with their trade treaty structure in any way?

Dr. BENNETT. It is primarily the Colombo plan of the British Commonwealth and the multilateral agencies of the United Nations that we have met. We have met no agreements, bilaterally, from the other nations as yet.

Mrs. KELLY. Will you insist, if you do, that you see the contract of that nation?

Dr. BENNETT. Yes, indeed, that is the reason that this is here. That is what we contemplate, to prevent duplication and to be certain that the assistance we render is not just one of a multiple group that is coming.

Mrs. KELLY. Thank you.

Mr. BURESON (presiding). Mrs. Bolton? I do not believe that you have had an opportunity to question Dr. Bennett.

Mrs. BOLTON. Thank you. I am deeply sorry that I had to be at the Capitol and missed the beginning of your testimony. I have one or two questions.

Is there a list that we might have of the many programs undertaken by point 4 in the different countries?

Dr. BENNETT. Yes. That list will be filed as part of the record. (The information referred to is as follows:)

DEPARTMENT OF STATE,
Washington, August 1, 1951.

Hon. JAMES P. RICHARDS,

Chairman, Committee on Foreign Affairs, House of Representatives.

MY DEAR Mr. RICHARDS: During the hearings on the point 4 program before your committee on Monday, July 30, the Honorable Frances P. Bolton requested a list of all of the point 4 programs undertaken in the different underdeveloped countries. Attached is such a list for insertion in the record. This list consists of two parts. The first part shows fields of activity in which projects are under way in each country, the cooperating United States Government agency, and the number of experts at work in the country. The second part is a list of projects we have undertaken by entering into contracts with private organizations.

I have sent copies of this information directly to Mrs. Bolton for her personal information.

Sincerely yours,

HENRY G. BENNETT,

Administrator, Technical Cooperation Administration.

Point 4 field projects in operation as of June 30, 1951

Country and field of activity	Cooperating agency	Number of experts in the field	
		By project	Country total
Afghanistan: Minerals and mining.....	Department of Interior.....	1	1
Bolivia:			
Health and sanitation.....	IIAA.....	6	.....
Education.....	IIAA.....	7	.....
Mineral resources.....	Department of Interior.....	3	.....
Agriculture.....	Department of Agriculture.....	6	.....
Civil aviation.....	Department of Commerce.....	1	.....
Child welfare.....	Federal Security Agency.....	1	23
Brazil:			
Health and sanitation.....	IIAA.....	19	.....
Education.....	IIAA.....	9	.....
Mineral resources.....	Department of Interior.....	13	.....
Agriculture.....	Department of Agriculture.....	6	.....
Rubber development.....	do.....	1	.....
Child health.....	Federal Security Agency.....	1	.....
General economic development joint commission.....	Department of State.....	14	33
Burma: Education.....	Federal Security Agency.....	2	2
Ceylon: Agricultural extension.....	Department of Agriculture.....	1	1
Chile:			
Health and sanitation.....	IIAA.....	4	.....
Food supply.....	IIAA.....	2	6

¹ Project carried on in United States (College Park, Md.).

² 3 experts and 1 secretary cleared, now in Washington.

Point & field projects in operation as of June 30, 1951—Continued

Country and field of activity	Cooperating agency	Number of experts in the field	
		By project	Country total
Colombia:			
Health and sanitation	IIAA	4	
Civil aviation	Department of Commerce	1	
Rubber development	Department of Agriculture	2	
Agricultural research	do	1	
Mineral resources	Department of Interior	1	
Highways	Department of Commerce	1	
Housing	IIIFA	1	11
Costa Rica:			
Food and agriculture	IIAA	7	
Health and sanitation	do	3	
Rubber development	Department of Agriculture	4	
Tariff	Tariff Commission	1	
Highways	Department of Commerce	1	
Water power development	Department of Interior	1	
Government administrative and services	Various agencies	3	30
Cuba: Kernal fiber development	Department of Agriculture	3	3
Dominican Republic: Education	IIAA	3	2
Ecuador:			
Health and sanitation	do	8	
Education	do	8	
Agriculture	Department of Agriculture	10	
Civil aviation	Department of Commerce (CAA)	1	22
Egypt: Rural improvement centers	Federal Security Agency	2	2
El Salvador:			
Agriculture	Department of Agriculture	6	
Health and sanitation	IIAA	6	
Education	do	1	13
Guatemala:			
Health and sanitation	do	6	
Agriculture	Department of Agriculture	7	
Rubber development	do	2	13
Haiti:			
Food and agriculture	IIAA	9	
Health and sanitation	do	7	
Rubber development	Department of Agriculture	2	18
Honduras:			
Health and sanitation	IIAA	3	
Food and agriculture	do	4	
Highways	Department of Commerce	1	8
India:			
Geologic investigations	Department of Interior	1	
do	do	1	
Civil welfare	Federal Security Agency	1	
Agricultural extension	Department of Agriculture	2	
Agricultural machinery	do	2	7
Iran:			
Apprenticeship	Department of Labor	1	
Rural improvement	Various agencies	7	8
Iraq: General economic development	State (TOA)	1	1
Lebanon: River valley development	Department of Interior	10	10
Liberia: General economic development	Various agencies	20	20
Libya: Water resources	Department of Interior	1	1
Mexico:			
Health and sanitation	IIAA	8	
Geologic investigations	Department of Interior	4	
Minerals and mining	do	2	
Fisheries	do	2	
Rubber development	Department of Agriculture	3	
Maternal health	Federal Security Agency	1	20
Nicaragua:			
Health and sanitation	IIAA	3	
Agricultural collaboration	Department of Agriculture	3	
Education	IIAA	3	
Hydroelectric survey	Department of Interior	6	13
Pakistan: Agricultural extension	Department of Agriculture	1	1
Panama:			
Education	IIAA	9	
Agricultural collaboration	Department of Agriculture	14	
Civil aviation	Department of Commerce	1	
Health and sanitation	IIAA	1	25
Paraguay:			
Food and agriculture	do	11	
Education	do	9	
Health and sanitation	do	7	
Economic Development, joint commission	Department of State	6	23

*Initial phase completed; all but 2 technicians returning to United States end of June.

Point 4 field projects in operation as of June 30, 1951—Continued

Country and field of activity	Cooperating agency	Number of experts in the field	
		By project	Country total
Peru:			
Food and agriculture.....	IIAA.....	13	
Education.....	Do.....	10	
Health and sanitation.....	Do.....	9	
Rubber development.....	Department of Agriculture.....	1	
Fisheries.....	Department of Interior.....	1	
Geologic investigations.....	Do.....	1	35
Philippines:			
Geologic investigations.....	Do.....	2	
Agricultural extension.....	Department of Agriculture.....	3	5
Saudi Arabia: Ground water survey.....	Department of Interior.....	2	2
Thailand:			
Agriculture.....	Department of Agriculture.....	2	
Education.....	Federal Security Agency.....	1	3
Uruguay:			
Health and sanitation.....	IIAA.....	1	
Food supply.....	Do.....	2	3
Venezuela:			
Health and sanitation.....	IIAA.....	6	
Civil aviation.....	Department of Commerce.....	2	8
American Republics regional:			
Education.....	IIAA.....	9	
Health and sanitation.....	Do.....	7	
Agriculture.....	Department of Agriculture.....	4	
Rubber development.....	Do.....	2	
Census.....	Department of Commerce.....	7	
Vital statistics.....	Federal Security Agency.....	3	
Labor law administration, etc.....	Department of Labor.....	1	
Labor statistics.....	Do.....	1	
Government administration and services.....	Various agencies.....	7	
Agricultural statistics.....	Department of Agriculture.....	1	42
NEA regional projects: Public health.....	Federal Security Agency.....	1	1
Not available by project.....		15	15
Grand total.....			431

Contracts awarded under the point 4 program to private contractors, fiscal year 1951

Country and type of project	Contractor and date of award	Amount of contract
Afghanistan:		
Technical education.....	Afghanistan Institute of Technology.....	\$12,500
Bolivia:		
Planning of aerial mapping of the Cochabamba-Santa Cruz area for economic development.....	Northwestern University, June 21, 1951.....	5,800
Brazil:		
Geological survey, topographic mapping.....	Aero Service Corp. Nov. 21, 1950, May 21, 1951.....	98,000
General economic development.....	Gibbs & Hill, June 7, 1951.....	100,000
Services of experts to assist Rural University at Vicosa in extension work in home economics and rural health, and in agricultural extension methods.....	Purdue University, June 27, 1951.....	12,400
Establishment of a reference library for United States Brazilian Joint Commission and preparation of one financial monograph.....	Vanderbilt University, June 29, 1951.....	9,900
Industrial research on babassu nut.....	The Southwest Research Institute, June 26, 1951.....	45,818
British dependent territories:		
Advice and assistance to Antigua by Puerto Rican experts on low-cost housing.....	Puerto Rico Planning Board, June 30, 1951.....	4,700
Colombia:		
Social work education.....	American Association of Schools of Social Work.....	4,230
Costa Rica:		
Housing and community development.....	Architects Collaborative, June 12, 1951.....	15,000

Contracts awarded under the point 4 programs to private contractors, fiscal year 1951—Continued

Country and type of project	Contractor and date of award	Amount of contract
Ecuador: Technical study on 2 transportation problems: (a) the dredging and maintenance of a deep-water channel for the port of Guayaquil; and (b) dredging of Bolivar Canal and construction of a port at San Lorenzo.	Knappen Tippetts Abbott Engineering Co., Mar. 5, 1951.	\$10,000
Agriculture.....	Pan-American Union.....	3,932
Egypt: Housing methods.....	Arthur D. Little, Inc., June 29, 1951.	20,000
Greece: Grant to Athens College to broaden its curriculum to give added emphasis to vocational skills and scientific studies, and to provide scholarships.	Athens College, May 10, 1951.	297,525
Grant to the institute in order to broaden its curriculum, particularly in agricultural and mechanical training; and to provide scholarships.	Thessalonica Agricultural and Industrial Institute, May 15, 1951.	181,400
India: Aerial spraying for locust control.....	U. S. Overseas Airlines, May 29, 1951.	50,000
Development of plans for the port of Kandla and town of Gandhidham, Cutch.	Adams, Howard, and Greeley, June 27, 1951.	13,000
Services of woman professor to serve as principal and professor of medicine at the Lady Hardinge Medical College, New Delhi.	The College of Medicine of the University of Illinois, June 28, 1951.	18,500
Extension of facilities of the Jamia Millia Islamia school for training rural workers.	World Student Service Fund, June 29, 1951.	20,000
Industrial development.....	Armour Research Institute..	100,000
Iran: Rural development.....	Near East Foundation, Jan. 31, 1951.	80,000
Do.....	Near East Foundation, May 2, 1951.	247,000
Aerial spraying for locust control.....	U. S. Overseas Airlines, Apr. 19, 1951.	190,000
Recruiting specialists for rural improvement projects.....	Brigham Young University, June 29, 1951.	65,000
Training of Iranian pilots in aerial spraying for locust control.	U. S. Overseas Airlines, June 25, 1951.	17,000
Recruiting specialists for rural improvement projects in cooperation with Brigham Young University and Utah State Agricultural College.	University of Utah, June 29, 1951.	65,000
Recruiting specialists for rural improvement projects in cooperation with Brigham Young University and the University of Utah.	Utah State Agricultural College, June 26, 1951.	100,000
Iraq: Engineering.....	Massachusetts Institute of Technology.	2,244
Israel: Public health. Organize a medical teaching mission in cooperation with WHO.	Unitarian Service Committee, Inc., May 10, 1951.	35,000
Jordan: Water resources development.....	Knappen-Tippetts, Abbott Engineering Co., June 1, 1951.	42,340
Lebanon: Expansion of training facilities and faculty of American University of Beirut to provide for training of nationals of Middle East countries in public health, public administration, agriculture, and economics.	American University of Beirut, Apr. 26, 1951.	624,000
Liberia: Expansion of curriculum of Booker Washington Agricultural and Industrial Institute of Liberia to include intensive training in fields of agricultural and mechanical arts.	Booker Washington Institute of Liberia, Inc., Dec. 21, 1950.	40,000
Photogrammetric mapping of Liberia for road construction and agricultural plans.	Aero Service Corp., June 28, 1951.	150,000
India: Community development and welfare program in rural areas.	American Friends Service Committee, Inc., June 22, 1951.	150,000
Mexico: Study of agricultural education in Mexico.....	Texas A. & M. College, June 23, 1951.	4,600
Pakistan: Plan for municipal water supply distribution and sewage-collection system for the Karachi metropolitan area.	Harland Bartholomew & Associates, June 30, 1951.	20,000
Industrial development.....	Armour Research Institute	60,000
Do.....	General Railway Signal Corp.	11,863
Panama: Study of problems of agricultural production.....	University of Arkansas, Jan. 2, 1951.	4,800

Contracts awarded under the point 4 programs to private contractors, fiscal year 1951—Continued

Country and type of project	Contractor and date of award	Amount of contract
Panama—Continued		
Execution of cooperative agricultural development	University of Arkansas, May 10, 1951.	\$164,560
Saudi Arabia:		
Aerial photography for water development.....	Aero Service Corp., Jan. 4, 1951.	54,348
Syria:		
Rural improvement through expansion of Foundation's existing program of village improvement activities.	Near East Foundation, May 2, 1951.	88,140
Regional, other American Republics:		
Survey of agricultural research institutions in Latin America as appropriate depositories for agricultural publications.	University of Minnesota....	6,000
Training 40 nationals of Latin-American countries in extension and farm and home management supervision.	New Mexico A. & M. College, June 27, 1951.	48,000
Collection and study of maize indigenous to Western Hemisphere.	National Academy of Sciences, June 28, 1951.	85,000
Report on plan for establishment and operation of a construction materials demonstration and training center in other American Republics.	Armour Research Foundation of Illinois Institute of Technology, June 28, 1951.	48,000
Study of savings programs in United States institutions with a view to determining which would be most useful in Latin-American countries to promote the accumulation of private savings for economic development.	Columbia Federal Savings & Loan Association, June 30, 1951.	15,000
Development of small industries	Arthur D. Little, Inc.....	3,500
Technical education	Institute of International Education.	15,000
Regional; Ethiopia, Eritrea, and Libya:		
Preparation of handbooks on conditions in above countries for use of point 4 personnel.	The Institute of Ethnic Affairs, Inc., June 25, 1951.	30,000
World wide:		
Provision of practical work experience to foreign students under university supervision.	University of Denver, June 25, 1951.	3,835
	University of Miami, June 29, 1951.	1,260
	University of Maryland, June 29, 1951.	325
Study of a cooperative program of road improvement in other countries; establishment of two pilot schools in Latin America for operators and mechanics of highway machinery; and provision for point 4 fellowships in United States for highway engineers.	The International Road Federation, June 29, 1951.	85,000
World land tenure conference at University of Wisconsin, and 12 months training program for prospective leaders in agrarian reform problems.	University of Wisconsin, June 25, 1951.	162,000
Biometrics.....	University of North Carolina.	20,000
Total.....		3,740,542

Mrs. BOLTON. Thank you. May I at this moment ask you about Liberia and Libya. What are the programs now in force in Liberia?

Dr. BENNETT. In Liberia we have a widespread program which is a continuation of some that had been begun in the past, and new ones that have been added. Liberia likewise asked for a joint commission of Americans and Liberians to lay out the program for the development of the country. The program is comprehensive in agriculture, education, health, and sanitation, roads and harbors. It is a widespread program and one of the most satisfactory with which we are dealing just now.

Mrs. BOLTON. What about Libya?

Dr. BENNETT. Libya is new. The program is just beginning. In Libya the problem of course is three-fold: first, agriculture. They are not producing enough to meet their needs. It is a country in deep poverty. The need is water, and the plan is to survey the old Roman irrigation projects which were in use centuries ago and which we believe can be restored. It is water.

Then it is a matter of health and sanitation. There is much difficulty with eyes, trachoma, and the like. And then, of course, education, which is practically nonexistent in the country. A widespread program has been requested and is under study. We sent Mr. Hanson there along with Mr. Meier, from Mr. McGhee's staff. They spent some days in Libya and have recommended a fairly comprehensive program which we hope to have in operation within the year.

Mrs. BOLTON. In the water program in Iraq, does that also contemplate reconstituting some of the ancient—

Dr. BENNETT. There was a time under the Roman Empire when the country maintained a population of 10,000,000 or 15,000,000 people in the triangle between the two great rivers. Engineering is being done now, and a loan is being contemplated by the World Bank which looks hopeful.

Mrs. BOLTON. Is that loan only contemplated?

Dr. BENNETT. I think it will be carried out within the year. It is my judgment. Mr. McGhee is here and knows better than I. That is my opinion.

Mr. MCGHEE. The loan has been approved. The development board has been set up to carry it out. They are now waiting on final recommendations of the engineers in London. No actual earth has been moved.

Mrs. BOLTON. It seems that is the focal point in that central area.

Dr. BENNETT. That is right. We have the same thing in central Arabia, below Jidda, for 200 or 300 miles, the remains of the old irrigation system of the Romans abandoned with the fall of the Roman Empire. We have an engineer named Brown who is surveying these possibilities of reopening. If so, an area large enough to maintain a population as large again as now lives in Saudi Arabia can be irrigated and can become productive again.

Mrs. BOLTON. Those who were not very friendly to point 4 are saying to me, "Yes; we understand that point 4 is a very useful bit of mechanism for the Department, because they take all the worn-out people and send them out to the other countries"—as though we were not sending our best people. You would not credit that, would you?

Dr. BENNETT. Not at all.

Mrs. BOLTON. May I then say that that is not so?

Dr. BENNETT. You may say with certainty that that is not so. I will give you an example. I was in Bolivia, and there I met Dr. Winters, who is a graduate of Cornell in horticulture. I went with him to the experiment station which he is directing. I think in any roster of men of science you would find his name, Ph. D. from Cornell with distinction. The work which he is carrying on in the Alto Plano is one of the finest demonstrations and research projects that I have ever seen. At an altitude of between 12,000 and 13,000 feet, he is growing alfalfa, Siberian alfalfa. He is growing vetch. I lifted up the vetch and saw it there as high as a man's head. Kentucky bluegrass. I saw yellow hop clover, the big variety, growing there on the demonstration plots.

His livestock work is equally good. I would say that Dr. Winters would grace any department of agriculture in any land-grant college in the United States.

Mrs. BOLTON. You feel that he is a characteristic type?

Dr. BENNETT. He is illustrative of the fact that we are not sending seconds. We are sending the best that we have.

Mrs. BOLTON. Thank you very much, Dr. Bennett.

Dr. BENNETT. I could give you illustrations without number. I could tell you about the agricultural representative in Peru who certainly has done one of the outstanding jobs in the world. Jack Neale, one of the best county agents, practical, competent, all-around agricultural man, who has transformed agriculture in Peru, and who has the confidence of the Government to the nth degree. I could refer you to Dr. Gandy, who is in charge of the health program in Chile, one of the most competent men that I know in the medical profession anywhere, and what is said about him could be said about his counterpart in Brazil, a graduate of Johns Hopkins.

He and his wife are both physicians. These people have the missionary spirit. They want to go. We are not having applications from the old and worn-out and decrepit. As I explained earlier, the young people who are just graduating are going to go.

Mrs. BOLTON. Thank you, sir, very much.

Mr. BURLESON. Thank you, Dr. Bennett. Are there other questions?

Mr. VORYS. I have a couple of questions. Do you have anybody from Ohio State University?

Dr. BENNETT. Ohio State has a number. We have a number of men from Ohio State University, and I was there just about a month ago, and spent 2 days there. We had a team—I mean, we have had a recruiting team out there. He is helping us with Mr. Holmes. He has chosen two men that we have in process of clearance now, who are two of the top-flight agents in Ohio. Mr. Holmes, I think, is here. He was here.

Dr. VORYS. There are a couple of men from Ohio State on the committee.

Dr. BENNETT. We had a team from Ohio State. I spent 2 days there with the president and his staff.

Mr. VORYS. I noticed one of the large items among the departments is the Federal Security Agency. I wonder what sort of technical assistance they furnish. Is it education?

Dr. BENNETT. Education and public health. They come from that agency.

Mr. VORYS. In the Department of State, who is your boss?

Dr. BENNETT. Well, sir, I have never found out yet. Frankly, I think that I should clarify that statement. The Secretary of State is easily accessible. I see him every week. I meet with the assistant secretaries two or three times a week. The cooperation and good will which I found there has been most comforting. They have in effect given me the freedom of the lodge. I am not tied down, but I am working in effect as an independent agent, attached to the Department of State and having their full and wholehearted cooperation. I talk with the Undersecretary every week and frequently every day, calling him about problems that confront me, and I have had his and the Secretary's wholehearted cooperation. I think in that question that you would be interested in this: The Secretary of Agriculture, the Secretary of the Interior, the Secretary of Commerce, the Administrator of the Federal Security Agency, all of them together, including the Librarian of Congress, straight through, have volunteered

and are most helpful, and the impact of this great group of people and their agencies would make any program in the world successful if we just give it a chance.

They have had the experience and they want to help, and they believe in it. The President likewise has invited me from time to time and has kept check on the program, and is personally interested in its success.

Mr. VORYS. Just one more question. You have been asked about your views on putting point 4 under ECA. I wonder whether you would be willing to take on ECA and administer it?

Dr. BENNETT. I think again I had better pass.

Mr. BURLESON (presiding). Are there any other questions? Dr. Judd?

Mr. JUDD. I agree with you Dr. Bennett, in what you said earlier that it would be unwise, for example to use Indian technicians in India, or Ethiopian technicians in Ethiopia because it is much better to have those trained men employed by their own governments, and putting down their roots in order to stay there. But would there be any firm or absolute prohibition against your using a specialist, for example, who happened to be of Indian ancestry but had particularly good qualifications in a given field, which were needed for 6 months or a year in Libya or South Africa?

Dr. BENNETT. None at all.

Mr. JUDD. You could, among your 1,200 technicians, hire non-Caucasians and non-Americans for particular jobs, could you not?

Dr. BENNETT. Yes, sir.

Mr. JUDD. I think that is wise because very frequently in most of the areas under consideration, they will accept advice from a person who is not a white man better than they will from us. I find that in China people would say "He knows about white people's diseases, but I am Chinese; probable he doesn't know what my insides are like. I don't know whether a foreigner understands our Chinese diseases or not."

Dr. BENNETT. I think that point is very well taken and I am in accord with it.

Mr. JUDD. Thank you.

Mr. FULTON. What function or functions do you have under the FAO?

Dr. BENNETT. FAO and I work together. It was my privilege to be a member of the American delegation when FAO was set up. I have been in close contact with it since then.

Mr. JAVITS. You correlate your programs?

Dr. BENNETT. We work together. Dr. Dodd and I worked together for years before he went with FAO and since he has been the Director General. We have the closest accord. In Ethiopia by agreement the FAO is handling the veterinary work in the animal diseases. All over Africa and all over Asia you have rinderpest. It is not of the violent type. We have to deal with it. They set up the laboratory which they directed at Addis Ababa. It is well administered.

Mr. JAVITS. You suggest that we continue the support of the FAO program under the United Nations as well as the continuation of the point IV program which you administer?

Dr. BENNETT. I would. I would continue the help to these United Nations agencies multilaterally and likewise to the Organization of American States. I would do that because I think it is good judgment.

Mr. HERTER. In that connection, where you have \$13,000,000 for multilateral agencies, how much did you allocate for FAO?

Dr. BENNETT. This year?

Mr. HERTER. Yes.

Dr. BENNETT. \$12,900,000 for the United Nations, and \$1,000,000 for the organization of American States, with this proviso: that the United Nations raise an additional \$8,000,000, which would give them \$20,000,000 for the multilateral agencies, and that would mean that you would double the activity of each of the agencies. You would double the activity practically. This percentage will not carry straight through. It will practically double the food and agriculture, world health, UNESCO.

Mr. HERTER. You did not make the determination as to how much of that money should go to FAO, ILO, and so forth?

Dr. BENNETT. No, sir, but I sat with them, we discussed it and they get 20 percent—20 percent goes to FAO, of the \$20,000,000.

Mr. FULTON. Should that not be done directly by Congress when contributions are made?

Dr. BENNETT. I would have no objection to it. The allocations, however, are recommended by the UN Economic and Social Council on which the United States is represented.

Mr. FULTON. Do you know that on the floor in the last few days there was an amendment passed limiting contributions to any international agencies to approximately one-third around 30 percent of the total budget?

Dr. BENNETT. I know there was such an amendment. But I should tell you this: We allocated \$12,000,000 with the understanding that it be paid when \$8,000,000 had been paid in in proportion. Up to date we have paid only \$8,000,000.

Mr. FULTON. Would you then have us continue in this bill, indirect contributions through your point 4 agency to the United Nations agencies?

Dr. BENNETT. Yes; I would like to do that, because it will give us a better chance to correlate our work, in agriculture, in health, and in education and all these multilateral agencies.

Mr. FULTON. I believe that you have made a good point, that they are excellent customers of ours. In Pennsylvania, there is a saying that a man who has bankrupt customers lives in a tumble-down house.

Mr. BENNETT. That is true. We were producing in 1940, 30 percent of the manufactured goods of the world. At the end of 3 years from the year we are in right now, we will be producing 50 percent of the manufactured goods of the world. That is not my figure. But it is reliable. There is a possibility of a great productive nation being smothered under the wealth of its own production, unless we can have outlets. And our little program is going to our friends and teaching them how to increase the earning power of each pair of hands. That is the only way you can increase the national income. That is the only way that you can do it.

Mr. BURLESON (presiding). Dr. Bennett, I assure you on behalf of the committee that we have not only enjoyed your informative discus-

sion but by your personality and by your statements you have engendered a great confidence in your work. We have all looked forward to having you here, and I know everyone has thoroughly enjoyed it.

Mrs. BOLTON. You are just a breath of fresh air, Dr. Bennett.

Dr. BENNETT. You are very kind. I have one question on the FBI investigation which delays us a little. We do not want to do away with it. We merely want a slight amendment to the present plan of operation. We cannot contract with a man until the FBI investigation has been completed and he is cleared, although he is just as good a citizen as any others.

Mr. FULTON. If you have Mr. Hays sponsor an amendment I am sure it will go through.

Dr. BENNETT. This is already in the draft bill. It gives us an opportunity to employ, as other agencies of Government have. This was just a little slip in this bill which deters us from entering into a contract with a man until after the FBI has completed the investigation and he is certified to us.

Mrs. BOLTON. I understand that that puts you on the same basis as the ECA.

Dr. BENNETT. That is all right. That is what we want.

This is my first appearance before a congressional committee.

Mr. SMITH. You are doing all right.

Dr. BENNETT. I want to express my appreciation for the courtesy that you have extended to me. I had wondered how it would be. You made it so easy and friendly that I want to express my personal appreciation.

Mr. BATTLE. If you do as well after you get to be an expert as you did this time, you will be all right.

Mr. BURLESON (presiding). The committee is a little allergic to experts. You have disarmed us.

Mr. SMITH. It is unfortunate that this was not an open session.

Mr. BURLESON (presiding). That occurred to me also during Dr. BENNETT's testimony.

The committee will adjourn until 10 o'clock tomorrow morning.

Whereupon, at 4:43 p. m. the committee adjourned, to reconvene at 10 a. m., Tuesday, July 31, 1951.

(The following were submitted for the record:)

STATEMENTS SUBMITTED BY HENRY G. BENNETT BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS IN SUPPORT OF THE MUTUAL SECURITY PROGRAM

NEAR EAST AND INDEPENDENT AFRICA

I am Henry G. Bennett, Administrator of the Technical Cooperation Administrator in the Department of State. I am responsible for the administration of the technical cooperation or point 4 program which was authorized in the Act for International Development (title IV, Public Law 535), enacted by the Congress in June 1950.

In September 1950 the Congress made available appropriations totaling \$34,500,000 to carry out the purposes of this act. We have used these funds for technical cooperation programs in the Near East and Africa, in Asia and in the American Republics. The proposal which you now have before you would authorize the continuation and expansion of these existing point 4 activities as one part of a comprehensive mutual security program.

I am going to discuss today the present and proposed programs in the Near East and North Africa. The region consists of Iran, the near-eastern Arab States of Syria, Iraq, Lebanon, Jordan, Egypt, Saudi Arabia, and Yemen, the State of

Israel, and the three states of Libya, Ethiopia, and Liberia in northern Africa. Later I will be back to talk with you about the programs in southern Asia and in the American Republics. I understand that there will be an opportunity at the conclusion of your consideration of the American Republics program for me to review the multilateral phases of the technical cooperation program—the United Nations program of technical assistance and the activities we have authorized through the organization of American States—and following that an opportunity for me to give a general summary of the total point 4 program. At that time I would like to tell you about some of the basic principles underlying the technical cooperation program. I will briefly outline the plan of administration we are following and the reasons for our doing so and discuss with you the great possibilities which, in my opinion, this approach offers in terms of building real strength in the underdeveloped countries and strong ties of friendship with the United States. I am, of course, prepared to go into these general matters whenever the committee wishes.

You have heard Assistant Secretary McGhee describe the tense political situation in the Near East and the general objectives and nature of the economic program proposed for this region. Admiral Duncan has discussed the military and strategic significance of the region.

I am going to confine myself to a discussion of the economic needs of the region, the specific program that was already under way during fiscal year 1951, and the program that is planned to meet those needs in fiscal year 1952.

The proposed program for fiscal year 1952 for this region totals \$125 million. This includes \$50 million as the United States contribution to the United Nations program of relief and rehabilitation for Arab refugees, and \$75 million for programs of economic and technical aid, of which \$3.8 million may be administered through the UN Technical Assistance Program. A program of this magnitude is considered essential, as Mr. McGhee has indicated, because of the urgent need for improving economic conditions in the region.

The fundamental problems in this area, as in all of the less developed countries with which we are now cooperating under point 4, is the miserable economic lot of the masses of its people. We will not have peace and stability in the Near East until we help them to increase their food production, to wipe out widespread curable disease, reduce illiteracy and give the peasant hope for himself and his family. We must help them to meet their urgent economic needs and to realize more fully the great potentials that do exist in the area. Not until then will these countries be strong allies in the free world nor friendly and prosperous partners in the world of trade.

This sprawling region has an area of 3,818,000 square miles or over 2 billion acres. It is occupied by 77 million people. Average annual per capita incomes range from \$385 for Israel to about \$40 in Yemen and Saudi Arabia. In most of the area about 90 percent of the people are illiterate. Life expectancy is about 30 years. The infant mortality rate is about 200 per 1,000 as compared with 32 per 1,000 in the United States.

Most of this vast area is desert. Only a very small percentage of the land is now under cultivation. Yet about 75 percent of the people depend for their livelihood on agriculture. Farming methods are extremely primitive. Food production is far below its potential and fluctuates widely because of erratic rainfall. Hunger is a real problem. It seems obvious therefore that a program of economic development must concentrate heavily on agriculture.

There are vast areas of potentially fertile land and water for irrigation, capable of further development. Large tracts in the Tigris and Euphrates area now are fallow. They supported much greater populations in ancient times and could again be used for farming, the hot climate makes possible two or even three crops a year.

It is estimated that the present cultivable area of Iraq can be at least doubled and the part now in use made far more productive by projects for flood control, irrigation, drainage, mechanization, and agricultural services. Plans for bringing this land into use begin with control of the Tigris and Euphrates Rivers. In Lebanon the major natural resources is the Litani River. This water, properly conserved and utilized, could provide abundant supply of low-cost electric power—power to increase pump water for irrigation, power for industrial expansion and power for towns and villages. In Syria the proper utilization of water resources from the Euphrates and other rivers could add 1,450,000 acres of irrigated farmland to the 575,000 which now exist. Ethiopia possesses rich agricultural resources which could produce meat and grain for export to importing countries in the region and to Western Europe.

Of equal importance are the improvements in agricultural production that can be stimulated through our present and proposed programs at the grass roots level in existing rural areas.

During the 10 months since funds were appropriated for the Technical Cooperation program, projects have been initiated in every one of the countries in this region except Yemen and Ethiopia. General point 4 agreements have been signed with all but Yemen and Syria. Projects totaling \$1,031,001 made up the program which had been authorized at the close of fiscal year 1951. One hundred and eighteen United States technicians have been authorized in these programs and 40 were already on the job in the field. They are from a number of United States agencies, illustrating the use of technical resources throughout our Government in this cooperative program. In addition we have made arrangements by contract with private organizations and firms, to supplement our Government activities.

These programs in the Near East and Independent Africa represent a variety of approaches to the basic problems of the area. In Iran we have begun our largest single program in the region—an integrated rural improvement program aimed at helping the village population initiate better farming methods, better water supplies, and insect control, and schools for primary and vocational education. We believe this program will have a rapid and beneficial effect on the welfare and the attitude of several million Iranians. Since this program is quite a typical example of the point 4 program which we expect to initiate elsewhere, I would like to give you a somewhat more detailed description of this one operation. Our program in Iran is aimed at the general improvement of the conditions of the rural people, who make up 80 percent of Iran's population of 17,000,000. Most of the rural population lives in small villages and work on the surrounding land. In the fiscal year 1951 we have initiated a rural improvement program, including activities in agricultural training and extension, health, basic and vocational education. The significant element of the rural improvement program is this integrated approach to individual rural communities, with our teams of technicians working with Iranians to bring about a balanced improvement in these major fields within each village.

In carrying out this program of rural development, we are using the technical resources of the Department of Agriculture, Federal Security Agency, and the Department of Labor. We have contracted with the Near East Foundation to extend this community development work, since this organization has been successful for years in this kind of work on a smaller scale and is completely accepted by the Iranians. We have also contracted the services of three universities in Utah which are providing technicians to cooperate in those provided by Government agencies. This is truly a cooperative program using the technical resources and skills from these diverse groups.

A separate phase of our program in Iran has been the successful program of locust control, directed at preventing the destruction of crops rather than increasing production as in the rural improvement program. The Government of Iran, faced with the worst locust plague in 80 years, sent us an emergency appeal for help. Within 10 days we had flown from this country to southern Iran a crew of 11 spray pilots and mechanics, an outstanding entomologist, 8 small spraying planes and a supply of the new insect poison Alarin. The Iranians had themselves organized an effective ground support organization so that operations could begin at once. This project, successfully concluded, illustrates the ability of our long-range program to adjust with great speed to meet emergency situations, the resourcefulness of American business firms and the genius of American research which made this feat of technical assistance possible. And now Iranian pilots are being trained in aerial spraying techniques for future locust control work.

In Lebanon we have a mission studying the possibilities and the means of developing the Litani River Basin, that country's most important underdeveloped physical resource. In strategic Libya, as part of the United States bilateral program, there has been initiated a joint Libyan-American Technical Assistance Service similar to the well-known Services in Latin America, to supplement the United Nations program of economic development in that country by providing agricultural extension demonstration and training services.

In Iraq we have provided an American engineer to the Iraq Development Board which will be concerned with an irrigation plan involving flood control on the Tigris River and water storage work in the Euphrates Valley for which the IBRD has granted a \$12,800,000 loan.

In Liberia, there has been gradually developed a well-rounded economic program, beginning with the late years of World War II and concentrating on agriculture, health, and education. As part of this balanced program, a research program on tropical diseases has been started, a public works program is under way with our guidance, and work on aerial photography and mapping is being initiated to provide a modern basis for systematic economic development. Here as in Latin America, the program of technical cooperation has been in operation long enough to begin to see the results. For example, native plantings of improved cocoa varieties in Liberia are just now maturing and adding their output to short world supplies. Vital rubber exports are also being expanded. These benefits are accompanied by improved health and nutrition of the rural population in the "bush" areas of the hinterland.

Our program in Iran illustrates the use we are making of business firms and of other private organizations. One other example of the use of a private non-profit agency deserves mention. Under contract with the Technical Cooperation Administration, the American University of Beirut, for years the leading educational institution in the region and the source of much of the trained professional personnel in local government and educational circles, is initiating an especially designed training program to serve the area in the practical sciences of nursing, midwifery, agriculture, and public administration. We expect this program to rapidly produce trained native leaders and workers who will be the nucleus of an ever-expanding circle of technically competent personnel, enabling these countries to progress more rapidly through their own efforts.

United Nations programs in the Near East and Independent countries of north Africa are likewise of importance in the total picture. In this area, as in other parts of the world, there is coordination between United Nations and United States activities. Information is exchanged and consultations are undertaken with regard to projects planned in order that maximum use may be made of available resources and possible overlap or duplication avoided.

Because of its concern with the settlement of the Palestine problem and the establishment of Libya as an independent state, the United Nations has a very active interest and a special responsibility in this region. In addition, we believe that the United Nations and the participating specialized agencies, through their technical assistance activities under the expanded program, are making and will continue to make a real contribution to the economic development of the entire area and toward the well-being of its peoples.

The United Nations Relief and Works Agency for Palestine Refugees in the Near East has undertaken a major responsibility in the region through its program for reintegrating the Arab refugees. Due to the close relationship between the refugee reintegration program and economic development, this agency is also serving as a focal point for the coordination of all UN technical assistance activities in the Near East.

The UN General Assembly has stressed the need for early action in extending technical assistance to Libya. Accordingly, the United Nations and the specialized agencies are collaborating with the UN Commissioner in Libya and the administering powers in developing projects in order to insure that priority is given to Libya's most urgent needs. On the basis of comprehensive surveys, long-range development programs are already under way.

In Iran, outside the Arab world, the United Nations has recognized the importance of assistance at this time through the inauguration of a number of programs. In this country very special efforts for satisfactory coordination have been undertaken by United Nations and United States agencies, both at headquarters and in the field.

Technical assistance activities under the United Nations expanded program are being undertaken in each of the Near East and Independent north African countries and this includes all fields of activity of the participating organizations. Among the more important projects for the area are those relating to agricultural improvement and forestry, water conservation and utilization, industrial development, public finance and administration, raising of health and nutrition standards, control of communicable diseases, fundamental education, vocational and technical training, and modernization of transportation facilities. In the first financial period (June 1, 1950, through December 31, 1951), projects involving 300 experts and 227 fellowships, will have been initiated or completed, at an estimated cost of \$2,400,000 to the United Nations and the participating specialized agencies. In addition, six regional projects are being negotiated for this area, three of which will be undertaken jointly by several of the organizations.

The proposed program for this new fiscal year will build upon the small beginning we have made in the Near East during the past few months.

The primary emphasis in the economic program of \$75 million is on improving agriculture. More than half of this sum will be devoted to extension, demonstration, training, and equipment to help these countries produce more food and fiber. Twenty percent of the program will be used to reduce debilitating diseases and to improve the health and productive capacity of the workers. Projects to increase industrial output, to train more skilled labor, and to stimulate basic improvements in transportation, make up a substantial part of the proposed program, followed by aid to the development of water resources, vocational education, and government administration.

We estimate the program for this region will call for the services of 834 technicians and will enable us to bring 910 persons to the United States or to appropriate centers within the area for training. While this number of technicians looks large, we have several resources to fall back on. Technicians will be provided by all the United States departments and agencies participating in our program, by land-grant colleges, voluntary agencies and private business, and by the United Nations. These men will be backed by all the technical resources at the disposal of these organizations. Technicians from other countries will be available under the United Nations. What we are proposing is a cooperative program combining and bringing to bear all available technical skills on the economic problem of this region.

I would like to describe very briefly the types of programs which we have in mind for each country. These programs have not, of course, been formally agreed upon with other governments as yet. However, they are designed to supplement the local governments' high priority programs of economic development, and are related to prospective local investment plans on IBRD loans wherever possible.

The bilateral program proposed for Iran totals \$24 million. It is composed of one group of projects designed for rapid completion and immediate impact on economic and social conditions. These projects are largely concerned with transport to permit more adequate internal distribution of goods at reasonable cost, more water systems for small towns, and some importation of consumers goods to generate local currency for further development work. An expansion of the existing rural improvement program, with extension and demonstration activities in agriculture and related undertakings in housing, vocational education, sanitation and disease control, constitutes a second group of projects requiring a longer time for completion, but essential for long-run development.

The Israel program totals \$23.5 million as proposed. It is designed to supply Israel with equipment and a limited number of experts for basic developmental projects in agriculture, power and port development which Israel cannot finance because of its balance of payments position.

For the Arab States taken together, a total program of \$23.5 million is estimated to be necessary. The country programs within this group all emphasize agricultural improvements. However, the diversity of local problems is reflected in the proposed programs to meet these needs.

Most of the projects proposed for Iraq will serve as a basis for subsequent investment development made possible by oil royalties. These initial projects include expansion of model villages on newly developed land distributed to small landholders, rural health and agricultural programs, improvement of the roads and of types adapted to alluvial flood plains, the training of mechanics, surveying of mineral potentialities in northern Iraq, and contribution to the cost of building a dam on the Euphrates to increase irrigation and to prevent floods.

The program for the little country of Jordan is aimed at improved methods of soil and water use and conservation, expanding the current program of cleaning and repairing the old Roman cisterns still used by the nomadic peoples of the area for their water supply. Other projects in addition to agriculture include a laboratory for testing soils and plant diseases, promoting the development of light industries, village health and welfare improvement, a transportation survey and a small consumers goods program.

In Lebanon the program includes chiefly agricultural and irrigation projects to increase the amount of irrigated land and to expand agricultural production on existing cultivated land. Other projects are directed at improving highways and reducing trachoma and malaria.

Syria is a country in which our proposed program aims at increasing both the agricultural area and the yields per acre on existing farm land. The presently cultivated acreage, which now represents no more than 12 percent of the

total area, can be greatly increased. The program includes projects for substantial water development as well as agricultural extension activities. There is provision for some building materials for dams and canals, as well as for related construction needs for roads and housing. There is also a small consumers goods program to serve local currency development work.

The Egyptian program is aimed at improving agricultural production through the establishment of an extension service, and by demonstrating improved methods of handling and storing food products to prevent widespread losses now suffered. Health and welfare work in the rural villages also occupies an important part of the proposed program.

The program for Saudi Arabia is intended to provide technical guidance in water development, health improvement, agricultural extension work and government fiscal management. The country has sufficient financial resources from oil royalties to undertake substantial development if these resources are more fully utilized.

Before any significant development work can be undertaken in Yemen, it is essential to acquire much more complete information than is now available. The program for that reason includes provision only for an economic survey and for a small public health program.

Most of the proposed program for Ethiopia is aimed at the development of this country's agricultural potential which is among the greatest of any of the underdeveloped areas. The remainder of the program includes work in health, mineral resources, government administration and basic education, primarily to enable the agricultural development to proceed more rapidly.

The projects proposed for Liberia are largely extensions of those already in progress, and making up the rounded program which has come out of the experience of the Joint United States-Liberian cooperation and has been formally approved as the Liberian plan of economic development. It includes projects in agriculture, public health, basic education, transportation, hydroelectric power development, and government administration.

The program of Libya includes a variety of activities essential to this newly independent state. The main concentration is in agricultural development, and particularly on irrigation, reclamation, water conservation and improved breeding of sheep, through a system of farm demonstrations and extension. Some work is intended in the field of industrial development concentrated primarily on the processing of agricultural products such as olive oil, wool and meats. Activities are also programed in public health, education, roads, and transportation.

The United Nations and specialized agency programs of technical assistance in this entire region are estimated at \$3.8 million for 1952. Until the pattern of bilateral programs becomes clear, it is only possible to say that such international programs of technical assistance will extend and supplement those which have been described for the current year.

In conclusion, I would like to repeat that this expanded program for the Near East and Independent Africa seems the most practical way in which we can attack the basic problems of hunger, ignorance, and disease which are at the root of much of the present unrest. A grass-roots program such as I have described to help each pair of hands and each acre to produce more can do enough to assist the peoples of this region improve their lot that it will create a new spirit of progress and cooperation with the rest of the free world.

I will be happy to answer any questions that you may have on our program.

THE POINT 4 PROGRAM IN LATIN AMERICA

I am Dr. Henry O. Bennett, Administrator of the Technical Cooperation Administration. I am here to support the President's request for \$22,000,000 for bilateral and multilateral technical cooperation programs in Latin America.

The request for the technical cooperation programs in Latin America for the fiscal year 1952 consists of three items, totaling \$22,000,000.

1. Eighteen million dollars to continue the existing bilateral technical cooperation programs, at an expanded rate.

2. One million dollars as the United States' contribution to the technical assistance program of the Organization of American States.

3. Three million dollars as the United States' contribution to the technical assistance program of the United Nations agencies for operations in Latin America.

These three items are needed in order to carry forward a technical cooperation program with those governments of Latin America that need and request our help. The entire program is designed to provide the technical skills that the Latin-American governments need to improve their basic services. It gets at the root of their economic problem, and constitutes the most effective help that we can provide.

The bilateral portion of the proposed program will permit continuation and much-needed expansion of existing programs in 19 of the 20 Latin-American Republics.

The United States has a special interest in the other American Republics. We are directly concerned and interested in the sound development of their economies and in the political stability of their governments. They are our immediate neighbors. The friendship, good will, and cooperation of the Latin-American peoples and governments are important to our welfare and security.

Other witnesses have already discussed the importance of Latin America to the security of the United States. Military aspects of Western Hemisphere's security have been outlined by General Bolte. Military strength in Latin America, as in any area, must rest on a firm foundation of economic productivity and political stability. I need not remind you of the close relationship between the two. That is why we firmly believe we must further develop our cooperative efforts to help our friends carry forward their plans for social and economic progress.

The slightest progress in the economic development of these countries will give us stronger friends and allies and at the same time will be translatable immediately into greater potential markets for the products of United States industry and a greater flow of private investment.

In spite of substantial progress in economic development our neighbors to the south are not as strong a link as they are capable of being in the chain of the free world's defense against Communist aggression. The great masses of the people have a low standard of living. Their stake in democracy is small. They are readily susceptible to the blandishments of Communist propaganda.

Statistical data for almost all of the countries are notoriously unreliable, but there is good reason to believe that in most of them life expectancy at birth is under 35 years. Generally the rate of illiteracy varies from a low of 35 percent to a high of 92 percent. Food shortages are chronic in all the countries except Argentina and Uruguay, notwithstanding the fact that agriculture is the principal occupation of more than 66 percent of the population. Literally millions live their entire life span in the shadow of hunger. Their productive strength is undermined by inadequate or unbalanced diets. Although Latin America today has a population approximately equal to that of the United States, its productive capacity, measured by the sum of the national incomes of all the countries, is only about one-tenth. In 10 of the countries the annual per capita income is less than \$100, and in only four—Argentina, Cuba, Uruguay, and Venezuela—is it greater than \$200. The problem of improving the basic services is fundamental, and its solution is a prerequisite to the effective use of the resources now being devoted to economic development by the republics of Latin America.

Other handicaps to economic development grow out of the geography of Latin America which provides one of the most difficult environments in the world for human development. The attitudes best suited for human habitation have either an excessively rugged topography or an exceedingly dry climate. Enormous extensions of the Amazon Valley in Brazil, the Orinoco in Columbia and Venezuela, the Parana in Paraguay, the Beni in Bolivia, and other lowland valleys become inland seas during the rainy season of the year, and the potential productivity of those lowlands is sharply limited because the soil in most of them is thoroughly leached. These areas are infested by malaria, yaws, dysentery, hookworm, and other tropical diseases at all times. Swarms of insects, especially locusts, emerge periodically from the jungles of the Amazon, the Parana, the Orinoco, the Beni, and the Coco Rivers of South and Central America to devastate the agriculture of surrounding areas. In the highland regions of Ecuador, Peru, and Bolivia, millions of people live in the excruciatingly thin air of 10,000 to 13,000 feet of altitude, with a climate so forbidding and soil so poor that nowhere else on earth, except perhaps in Tibet, does man have such difficult living.

The total acreage under cultivation in all of Latin America is approximately 70,000,000 acres, compared to 415,334,000 in the United States, and just about one-third of this, or 78,000,000 acres is in Argentina. For the rest of the region the

acreage under cultivation totals approximately 155,000,000 acres for a population of about 138,000,000 so that the cultivated acreage per capita is only a trifle over 1 acre, compared to 2.6 acres in the United States. This, of course, does not tell the whole story, for the productivity of agricultural labor and land has been estimated to be only approximately one-fifth that of the United States. In addition, the almost total lack of modern conservative land-use techniques has resulted in destructive agricultural practices that are everywhere bringing on accelerated erosion and soil exhaustion. The agricultural base of the economy is deteriorating at a time when the demand for food by the rapidly increasing population, especially of the cities, is becoming ever greater.

The bilateral programs proposed for fiscal year 1952 will provide for activities in the following general fields in approximately the amounts indicated.

Field	Amount	Percentage
1. Joint Commissions and Economic Surveys.....	\$379,000	2.1
2. Agriculture Development.....	7,363,000	40.9
3. Education.....	2,291,000	12.7
4. Health and sanitation.....	4,501,000	23.0
5. Industry and labor.....	444,000	2.3
6. Transportation and communications.....	702,000	3.9
7. Mineral resources development.....	813,000	4.3
8. Water power development.....	389,000	2.2
9. Government administration and services.....	1,133,000	6.2
Total.....	18,000,000	100.0

This budget will permit us to assist the governments of Latin America to eliminate some of the handicaps to their economic development. In the first place, it will enable us to continue to assist them in developing their experimental and extension agricultural services and thereby introduce modern scientific agricultural practices. The modernization of agriculture is required to provide the essential balance now lacking in the economies of most countries. It is the first step in increasing agricultural production to eliminate chronic food shortages, and to reduce soil wastage and erosion. In the second place, this budget will enable us to continue programs in health and sanitation to develop preventive health measures required to combat effectively the malaria, the dysentery, the yaws, the hookworm, and other diseases that now sap the productive energy of the labor force. It will permit malaria and other disease control work needed to open new areas for agricultural development, and will provide assistance in developing environmental sanitation, so essential as the first step in health improvement. The proposed budget will enable us to continue our cooperation in the field of education. This will provide millions with the tools of learning required to make them effective producers in a modern industrial civilization, and develop vocational instruction for the specialized training of the labor force needed by the expanding industries of the different countries.

Although more than 77 percent of the proposed budget is for the extension of technical assistance in the three basic fields of agriculture, health and education, nevertheless a proper balance requires that we provide help as needed and requested in several other fundamental fields. The proposed program, therefore, provides assistance in setting up the technical services required for effective explorations of mineral resources and the adequate estimate of the potentials of hydroelectric and other power. In addition, the program proposed will allow us to provide assistance as needed and requested in relation to industrial development and labor training, and the more effective organization of government administration. All of these aspects are necessary to provide a rounded program of helping our neighbors help themselves, and thereby fulfill their own aspirations. Such a program will advance our own objective of creating stronger neighbors in Latin America by helping them to provide the basic conditions which will make it possible for private capital, internal and foreign, to carry forward the main job of economic development.

To provide lasting benefits, that development should be balanced. Too much concentration in the development of the extractive raw materials industries will result in boom and inflation during periods when the world demand for raw materials is high, as during World War II and now, and recession and crisis when that demand slackens. In the long run, our interests in trade, and their interest

in a high permanent standard of living, are best served by well-balanced programs of development.

The people of Latin America know that with the application of modern scientific agricultural and industrial techniques, the productive capacity of their lands, their forests, their mines and factories can be increased enormously. They have already proven this in countless ways. Wherever modern agricultural extension services have been organized, as in Peru and Costa Rica, extraordinary increases in agricultural production are achieved. With the conquest of malaria, which DDT now makes possible, large areas of potentially rich agricultural land in certain of the lowland regions can be brought into settlement and cultivation. Iron ore, manganese, and other mineral deposits can be developed. New oil fields can be opened up. Indeed, the entire area is susceptible of being transformed from an area of democratic weakness and potential Communist subversion to one of democratic strength, capable of providing an inner citadel of defense should the need ever arise. This can be done if the technological know-how needed to increase production is applied effectively and on a much larger scale than has been done heretofore.

The proposed technical assistance program for Latin America has its roots in years of experience, for it was here that the point 4 concept was first applied in practice. Much of our knowledge of how to export know-how was developed here. The grass-roots approach which enables the existing cooperative technical assistance programs to reach the people in the small towns, villages, and farms, and makes the program theirs, has been developed and perfected here.

The results achieved by virtually all of our programs of technical cooperation in Latin America have been far beyond the most optimistic expectations. In many instances they have been spectacular.

First of all a most interesting administrative device has been developed for the extension of technical cooperation—the cooperative service or “servicio” organization. Under this arrangement, the government which requests and is granted assistance agrees to create a special division in the appropriate ministry, through which the cooperative program will be executed. This is the cooperative servicio. Normally, the chief of the United States technical mission or field party is designated director of the servicio by the local government. He is thereby given a dual function. As representative of a United States agency, the chief of field party plans the program in cooperation with the minister, and as director of the servicio within the ministry, he is given responsibility for executing the program planned. The personnel of the servicio is made up of a few United States technicians, usually the 4 to 10 members of the United States field party, and a much larger number of national technicians. The operational fund of the servicio is provided jointly by the two governments. At the present time, there are 83 servicios operating in 18 of the Latin-American Republics, 17 in health and sanitation, 9 in education, and 7 in food supply.

A few examples will illustrate other accomplishments. Over a period of 8 years, the cooperative health and sanitation program in El Salvador has developed a national program of public health and environmental sanitation. It selected and trained a group of doctors, in the country itself and in the United States, and these trainees formed the nucleus of a professional staff for the health department. Gradually each year the ministry has assumed an ever-increasing proportion of the cost of the trained personnel, and by 1960 the Department of Public Health in El Salvador was efficiently organized with a full-time trained professional staff of eight public health doctors entirely provided for within the budget of the Ministry of Health.

In Peru the cooperative agricultural development program trained a corps of extension agents, and organized a national extension service. In the highland regions potatoes are the principal crop and the chief staple food of the people. For years production has been decreasing because of the existence of soil insects and blight. The cooperative agricultural program carried out the research necessary to determine the nature of the problem and then proceeded to introduce the use of the appropriate insecticides and fungicides to control it. As a result of this activity, literally thousands of farmers began to use insecticides. The importation of the basic ingredients of insecticides and fungicides increased from 1,150 long tons in 1946 to 2,216 in 1949. The effect on the yields was spectacular in the extreme. The yield increased from about 500 pounds per acre in the untreated lands to about 1,000 pounds per acre in the treated lands on the average and, through the extension service, literally thousands of acres have been treated.

A cooperative survey by United States and Brazilian geologists in Brazil brought to light large reserves of vitally needed high-grade iron and manganese ores in that country. These surveys indicate that there is a deposit of 33,000,000 tons of ore near the Bolivian border, and 7,000,000 tons north of the Amazon River. The average content of these ores is reported to be 45.8 manganese and 11.1 iron. In addition, 1,310,000,000 metric tons of banded hematitic iron formations that have been discovered are expected to average about 55 percent iron and 20 percent silica. This is only one example of the results that have been obtained from the cooperative mineral resources development program in Brazil. Similar results in relation to other metals, e. g., tin in Bolivia, copper in Mexico, and nickel in Cuba, have been obtained through the operation of that program.

The above illustrations together will indicate the extraordinary possibilities for increasing production that are inherent in the technical assistance programs. The countries of Latin America need and welcome this assistance, and there is no clearer evidence of it than the progressive increase in the contribution they have been willing to make to the joint program funds of the various programs. When the programs started, the bulk of that fund was contributed by the United States. Figures on local contributions in fiscal year 1951 are not yet available but in 1950 the contributions by the Latin-American governments themselves averaged \$3 for every dollar contributed by the United States.

After 1947, it became necessary because of lack of funds for some of the programs to be curtailed. By 1949 the number of IIAA programs had been reduced to 24 and those carried on under Public Law 402 had suffered a corresponding reduction. In fiscal year 1951, under the act for International Development, it was possible to increase the number of service type programs to 33, and at the same time initiate or continue a total of approximately 70 other projects in agricultural research, including rubber development, in mineral and water resource development, in labor and industrial training, and in several fields of Government administration. These activities have given needed balance to the existing program, and have made it more nearly commensurate in terms of type, if not in terms of extent, with the economic development needs of the Latin-American countries.

The United Nations and the specialized agencies are also very active in Latin America as is indicated by the large volume of requests received from governments in that area—153 as of June 1951—and the number of agreements concluded for the provision of specific technical assistance under the expanded program—75 as of June 1951. These activities, supplementing United States bilateral assistance, constitute an additional valuable resource in meeting the tremendous needs for assistance to raise standards of living and further economic development in this region, one of the world's major underdeveloped areas.

Comprehensive development programs have been initiated or are being planned by the United Nations and the specialized agencies in many Latin-American countries. Projects cover an extensive range of activities—industrial and economic development, social security, public health, education, modernized transportation. The majority of them, however, relate to agricultural improvement since agriculture forms the basis of the Latin-American economy. The agricultural problems, toward the solution of which these projects are directed, include control of insect pests and animal diseases, improvement of techniques, storing and marketing of grains, soil conservation and irrigation, investment needs of small farmers, and related fields of forestry conservation and utilization, and fisheries development.

Good progress has been made in developing effective methods of coordination between the United Nations and United States agencies in the planning and carrying out of projects so that they will complement one another in an effective manner. There have been, in some instances, joint planning and frequent consultation as well as exchange of information in order to permit the best use of existing resources for technical assistance.

The Organization of American States (OAS) has a primary interest in and responsibility for the multilateral technical assistance programs in Latin America. It has been determined that the OAS can best serve the Latin-American Republics by sponsoring regional training projects that will meet immediate basic needs of these countries. Accordingly, the OAS has left the field of individual country projects open to the United Nations and the bilateral programs with which it coordinates closely. The United Nations and the specialized agencies, however, are also undertaking several regional projects which are in turn coordinated with those of the OAS.

In summary let me say that the program proposed for fiscal year 1952 provides for the continuation of the activities already under way in fiscal year 1951, and permits the expansion of those which are especially essential in relation to our own raw-materials program. In fiscal year 1951 the amount spent for bilateral technical assistance in Latin America was approximately \$11,300,000. The budget proposed for fiscal year 1952 involves an expansion of \$0.7 million over this amount.

More than \$5,000,000 of the proposed expansion will be absorbed by a single phase of the program—that of agricultural development. The reason for this is that at the present time, as indicated earlier in this statement, the shortage of food creates a deficiency that weakens the entire economic effort of Latin America. The rest of the increase requested will make it possible to continue, on an annual basis, the programs initiated in other fields. Among these are health and sanitation, education, mineral and water-resources development, industry and labor, government administration, and the planning work of the joint commissions authorized by the Act for International Development.

The program of technical assistance for which this appropriation is being requested is needed and welcomed by the Latin-American Republics. It is in the interest of the United States to provide this assistance, not only because of our dependence on Latin America for strategic raw materials, and for a valuable market for the products of our industry, but also because it represents the effective application of the good-neighbor policy and of the concept of the point 4 program. It demonstrates constructive democratic leadership at a time when we greatly need the confidence of our friends.

JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA,

Washington, D. C., July 30, 1951.

HON. JAMES P. RICHARDS,

Chairman, House Foreign Affairs Committee,

The Capitol, Washington, D. C.

DEAR CONGRESSMAN RICHARDS: In view of the long list of witnesses which have kept your committee busy night and day on hearings on the mutual security program, I should greatly appreciate it if you will include the attached statement in your hearings record so that the views of the Jewish War Veterans of the United States of America may have the consideration of your committee and of the House as a whole.

With all good wishes,

Cordially yours,

BERNARD WEITZER,

National Legislative Director.

STATEMENT BY BERNARD WEITZER, NATIONAL LEGISLATIVE DIRECTOR, JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA

It is a privilege, greatly appreciated, to present the views of the Jewish War Veterans of the United States of America on the Mutual Security Program which you are considering. This program, as outlined in the President's communication to the Congress, is wholly in accord with the stand taken by our organization on many occasions in the past.

We have supported from the start the European Recovery Program, the North Atlantic Pact, the Mutual Defense Assistance Program, and the Point 4 Program. The results already achieved through these programs justify going ahead to the full extent with the Mutual Security Program proposed by the President. At the meeting of the national executive committee, Jewish War Veterans of the United States of America, held in Boston, July 7, 1951, the following resolution was passed unanimously:

Whereas the Jewish War Veterans of the United States of America has consistently endorsed and supported our Government's efforts to bolster the military and economic security of those countries who stand with the United States in defense of freedom and democracy and,

Whereas there is now pending before the Congress a measure seeking an appropriation of \$9½ million to provide the material assistance required to give full implementation to the Mutual Security Program; now therefore be it

Resolved that the Jewish War Veterans of the United States of America urge upon the Congress of the United States the early adoption of the proposed legis-

lation in order that our country's friends in the community of free nations may be buttressed in the common effort of the free world to defend itself against any possibility of Communist aggression.

Prior to our national executive committee meeting, the question had been carefully studied by our organization's foreign affairs committee. Members of the national executive committee who had come from all parts of the country, emphasized that our only real hope of deterring war and assuring our strength to win should war come, lay in a mighty preparedness effort at home and in economic and military aid to those countries whom we can count upon to join with us in defending the free world. It was pointed out, repeatedly, that our foreign economic-aid programs have been the decisive factor in saving Europe from being overwhelmed by Communist infiltration. Confidence and the will to survive have replaced despair. Production has increased and the economy of these nations has improved remarkably, as a consequence of the efforts made by the peoples of those countries—efforts which were stimulated and made possible by our encouragement and by our material aid. Much, of course, still remains to be done and the continuance of our economic aid is still very essential.

What has happened on the economic front gives promise of what will happen on the military front. The response to General Eisenhower's efforts justifies the amounts requested for military aid. The full amount is essential if General Eisenhower is to accomplish his mission. The free countries of the world outside of the United States and particularly the countries of Europe, have not yet rebuilt their production to the point where they can draw out of their own facilities, all that is needed for adequate military defense. The United States can tip the scales with the aid proposed in the Mutual Security Program.

Outside of Europe, from many of the underdeveloped countries of the world, come the materials which are essential to our production and to the production of our friends in the free world.

We serve a double purpose when we give technical or financial assistance to these underdeveloped countries. When we increase their productivity, we create a situation which makes it more difficult for the Kremlin to promote its doctrines which flourish where need and misery abound. Furthermore, with such increased productivity, we have a ready source of supply for those raw materials which we need to carry on our preparedness program to the fullest extent. In other words, our own defense is served by the use of the funds proposed in the Mutual Security Program in these underdeveloped countries just as surely as the funds and military matériel made available to our partners in Europe aid our defense.

The will and the capacity to fight for freedom can be developed to the highest degree only where there is a strong economy to produce, at least, the minimum living needs for the people and the supplies required for the Armed Forces. That is why the economic aid and the military aid must go together. A shortage in either form of aid will certainly be damaging to our effort.

The world situation is critical. It will continue critical until the defenses of the free world are adequate to deter Communist aggression in any form. The Mutual Security Program is a key step forward in our own defense and on behalf of the Jewish War Veterans of the United States of America, I respectfully urge that what we have to defend is too precious for dilatory action or for any penny pinching in the authorization of the funds requested.

UNITED WORLD FEDERALISTS, INC.,
Washington, D. C., July 31, 1951.

THE HONORABLE JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs, House of Representatives,
Washington, D. C.

DEAR MR. CHAIRMAN: I am very sorry that circumstances prevented my coming to Washington on the day and hour which the clerk of the committee advised me would be available for my testimony on the Mutual Security proposal.

However, he was good enough to advise me that I might mail a statement to you for inclusion in the record, and I am therefore enclosing it herewith.

Sincerely yours,

CASS CANFIELD, Vice President.

STATEMENT OF CASS CANFIELD, VICE PRESIDENT, UNITED WORLD FEDERALISTS, INC.

My name is Cass Canfield. My address is 40 East Thirty-third Street, New York, N. Y. I am a vice president and a member of the executive council of United World Federalists, Inc., an organization devoted to supporting and strengthening the United Nations. I am also chairman of the board of the publishing house of Harper & Bros., New York.

I am appearing before your committee today to testify in support of one feature of the mutual security proposals which are before you—the program of economic aid to underdeveloped areas, commonly known as point 4.

There is tremendous support for this program all over the country. As a publisher I come in frequent contact with the thinking of the American people, and I can assure you that in the whole field of American foreign policy no subject excites the imagination as greatly as this does, and no subject is quite as popular with the reading public or the lecture-attending public. People see in this bold, new program a truly great approach which makes clear to the world America's peaceful and benevolent intentions and at the same time demonstrates dramatically those productive and technological skills which make us a great and formidable power.

For these reasons, I am a little dismayed that in the present bill the point 4 features are not clearly labeled as such, but are scattered throughout the bill in various places. The program which is carried on by the Technical Cooperation Administration in the State Department in cooperation with the other departments of the Government, is certainly point 4. And so also is a good deal of the ECA program in southeast Asia and its program in the dependent overseas territories of Africa. According to the report of the International Development Advisory Board, all of these activities together accounted for the expenditure of nearly \$300 million during the fiscal year which has just ended. ECA programs in the underdeveloped areas differ somewhat from TCA work in that ECA supplies some capital grants and materials as well as technicians. But these are all point 4 in the broadest sense. The excellent work which is done by the Institute for Inter-American Affairs is also point 4, as we use the word, and it has been carried on most successfully for many years. It is now under the supervision of TCA.

All of these point 4 programs have proven themselves. Dollar for dollar they have been the very best bargain that the United States could ever obtain. The few dollars we spend for technicians who show people how to increase their own wheat crop, might cost no more than one shipload of wheat, yet this investment returns dividends year after year. It not only frees the United States of the need to make contributions which it might otherwise make—it earns for us the lasting good will of the people to whom we have given the best kind of help, the help which enables them to help themselves. And it helps to make them strong in a very real sense; strong in materials, strong in health and strong in self-respect, so that they are the more effective allies in peace or in war.

There is still another avenue of point 4 work which we feel is most useful. That is the technical assistance which is made possible through grants to the United Nations and its specialized agencies. The skills which are so desperately needed in underdeveloped areas are not the very highly trained aptitudes of Detroit, but are rather simple carpentry, farming, and manufacturing methods which abound in many countries. We do not have to use our own valuable manpower to teach these skills. The use of a simple plow can be taught to an Indian by an Italian as well as by an American. And when we make these gifts through the United Nations, we are making not one friend, but many. We are bringing together nationals of many countries in a joint venture which will cement the bonds of all of our countries. We are avoiding the accusation of seeking to dominate the world. And above all, we are helping the United Nations to grow into the strong, important and useful agency for world law that we all want it to become.

I hope that when the present bill is disposed of, this Congress will have time and opportunity to return to the point 4 proposal and to discuss it again in the light of the report, *Partners in Progress*, by the International Development Advisory Board. I refer particularly to the proposals for an International Development Authority and an International Finance Corporation, both of which would be related to the International Bank for Reconstruction and Development, which is a UN agency. These are long-range programs, and the basic legislation for them must be started now if it is to bear fruit within the next few years.

I would like to point out also that in addition to the scientific and professional personnel which the point 4 programs are now using overseas, the technical assistance work could be well augmented by working farmers, shop and mill workers, and by other typical United States citizens. These people could participate actively in the community life in other nations and teach the magnificent skills that have made possible the high living standards which we have in the United States.

I have not testified on the other portions of the bill, because ours is a limited-purpose organization. I would like to say in passing, however, that in the present unsettled international scene, the United States has no choice but to build strong defenses and to aid in building the defenses, economically and militarily, of the entire free world. We feel, however, that at the same time that we build our armaments, we should present to the entire world a proposal for what President Truman has called foolproof universal disarmament under world law. We must confer upon the UN additional powers which are carefully limited and defined but which are adequate to prevent aggression and maintain peace.

I say that we should urge this at the present time for several reasons. First, even if these proposals are not accepted, the fact of making them in all sincerity will demonstrate to the entire world that the United States is truly a peace power and the United States is interested in abolishing war. It will be of tremendous value to us in winning the confidence and support of people everywhere. It will provide substance to the message of the Voice of America and greatly heighten its effectiveness. The United States has during the last 5 years, carried on a benevolent and altruistic program of foreign aid which is without rival in history. We have labored constantly for peace, and yet the Russians have succeeded in many parts of the world in convincing people that our intentions are warlike. It is urgently important that we make the world realize that the United States, while building strength, is seeking peace and is planning foundations upon which permanent peace can be built.

I also urge this course because bills like the one we are discussing today, involving the authorization of billions of dollars in expenditures, make it plain that until some method of permanent world peace is devised, the citizens of this country, and indeed the citizens of every country in the world, will have to make tremendous sacrifices. The high American living standard which we now enjoy cannot indefinitely continue if larger and larger portions of our income must go to the tax collector. And yet until a really fool proof UN peace plan is adopted, we cannot afford to drop our guard for a single instant. This is a tremendous dilemma to which I hope the members of this committee will devote their early attention.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., August 1, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Foreign Affairs Committee, House of Representatives,
Washington, D. C.

MY DEAR MR. CHAIRMAN: In accordance with our understanding, I am submitting herewith a statement on the organizational arrangements proposed by the President for the administration of the Mutual Security Program.

Sincerely yours,

F. J. LAWTON, Director.

STATEMENT OF FREDERICK J. LAWTON, DIRECTOR OF THE BUREAU OF THE BUDGET

In the course of committee hearings on the Mutual Security Program, there has been considerable discussion of the President's proposal for administering that program. Representatives of the various departments and agencies have dealt with the questions of substance and policy. This statement explains the proposed organization for administering the program, which has been fully discussed with the President.

The principal features of the President's proposal involve:

(1) The continued utilization of the Economic Cooperation Administration for the conduct of foreign assistance programs, and with that end in view, the President has requested that the life of the Economic Cooperation Administration be extended;

(2) The continued utilization of the Department of Defense for the conduct of military assistance programs; and

(3) Continuation of the role of the Secretary of State as the official who, under the President, provides the foreign policy leadership and guidance for the program.

The Mutual Security Program is not a new program. It encompasses economic assistance, military assistance, and aid to underdeveloped areas. All of these activities have been authorized by the Congress and reflect the established policy of the United States Government. So, too, the organization for administering these programs does not represent something novel and unique, but is rather a structure worked out and tested over the past several years.

The Mutual Security Program is the tangible evidence of the determination of this country to assist the other nations of this world to counter threats to their freedom and their lives. It is impossible to conceive of this program as solely economic, or military, or political. If it is limited to just one of these elements, it will not reach the goal which the American people have set for themselves to help those other nations to contain and repel Communist aggression. To do that, we must weld all of the elements of this program into a single instrument.

The needs for this coordination are very real and specific. A goodly share of our economic aid is designed to increase military production to meet military requirements. Military assistance is to be provided only where the recipient countries cannot meet requirements, even with economic aid. Moreover, our assistance programs must be coordinated for maximum effectiveness with all of our other foreign policy and program objectives. Since the Secretary of State is the official under the President whom the Congress and the people hold accountable for the conduct of our foreign relations, he must play the leading role in the administration of this program.

1. How the program will be managed

The economic assistance part of the program has two major purposes. First, it is designed to help allied countries, particularly those in Europe, to increase their military production and to expand their military forces. Second, it is directed to areas where substantial immediate efforts are needed to combat economic conditions which are being exploited or are vulnerable to exploitation by the Communists. These activities require substantially the same kind of organization as the Economic Cooperation Administration has developed during the past several years. Only in Europe will the ECA need to make substantial changes in its methods of operation and consequently organization and personnel. Those administrative adjustments are already being made.

Because we are dealing with a going program, because the ECA has the skill and resources necessary to continue to do the job well, the President has recommended that the life of the ECA be extended.

The military assistance part of the program, involving military planning, provision of military end items, and military training will continue, under the President's proposal, to be administered by the Department of Defense. Nobody, to my knowledge, quarrels with the proposition that the military are best equipped to plan military strategy and tactics, to procure and supply military goods, to follow up on the use of military equipment, and to provide military training.

Technical assistance under the Act for International Development will, under the President's program, continue to be administered in the Department of State. The Act for International Development is a part of the long-term foreign policy of the United States. It is not concerned with emergency economic assistance. It is primarily designed to help the peoples of other countries achieve the advances and benefits which we have achieved in the United States in such vital fields as agriculture and public health. The essential differences between the operations under this program and those proposed for administration by the ECA should not be obscured by the fact that authorizing legislation for both types of programs is sought in the same bill.

2. The job of central coordination

Achieving consistency in these highly complex activities will call for central coordination of the highest order. Under the proposed organization, the Secretary of State, under the direction and control of the President, provides executive-branch leadership in formulating the over-all policy of mutual security in cooperation with other countries. The military strategy is worked out in cooperation with other countries in the North Atlantic Treaty Organization by the Department of Defense with guidance from the Department of State on political issues. Military and economic assistance are then provided to imple-

ment the agreements on political and political and military strategy. The Department of Defense has clear-cut responsibility for formulating the military-assistance program and for administering it. The ECA has a parallel assignment for the economic-assistance program. The Secretary of State provides foreign-policy guidance and coordination. He does this, primarily, by reviewing the programs of the operating agencies to assure their coordination with each other and their maximum contribution to our world-wide security interests.

Except for its programs under the Act for International Development, the Department of State is not a participant in day-to-day administration of economic or military assistance. Those operating jobs belong to the Department of Defense and the ECA. The responsibilities of the Department of State are centered on policy and program leadership on behalf of the President.

The line of responsibility runs from the President through the Secretary of State for foreign policy and program guidance, to the Secretary of Defense and the Economic Cooperation Administrator for program formulation and operations. The Secretary of State, in exercising policy and program leadership, will allocate funds on a program basis to the operating agencies. Allocation of funds by the Secretary of State is the established practice under the Mutual Defense Assistance Act of 1949.

In making allocations, the Secretary of State relies upon the advice of the International Security Affairs Committee. This interagency committee with membership from State, Defense, ECA, and Treasury is not the governing body for the Mutual Security Program. It is designed to facilitate coordination on behalf of the agency heads. The committee gives continuing attention to inter-agency problems of policy and program.

Should the Secretary of Defense or the Economic Cooperation Administrator disagree with the Secretary of State on any matter of policy or program or funds, an appeal can be taken to the President. Quite appropriately, basic responsibility and appropriations go to the President, who is accountable to the Congress and the people for the administration of our foreign policy for international security.

3. United States organization in NATO and overseas

This same pattern is found in executive branch organization for participation in the regional security arrangements of the North Atlantic Treaty. The Secretary of State is the senior representative of this Government on the North Atlantic Treaty Council. Ambassador Spofford sits as Chairman of the North Atlantic Treaty Council of Deputies, which is the continuous working body of the Council. Ambassador Spofford represents the President and receives his instructions through the Secretary of State.

The ECA special representative in Europe represents the United States on the Finance and Economic Board of the North Atlantic Treaty Organization. Representatives of the Department of Defense represent the United States on the Military Committee and the Defense Production Board of the North Atlantic Treaty Organization. Here again, there are clear lines of authority and accountability running from the President to these regional representatives through their respective agency heads.

Within each individual country where economic and military assistance is being provided, the United States Ambassador provides policy and program leadership and foreign-policy guidance to the ECA mission chief and the Defense representative. Within this organization there is a right of appeal all the way up the line to the President.

4. The weight of experience

The proposed organization, with the Secretary of State providing leadership and coordination and the Secretary of Defense and the ECA Administrator responsible for formulation and execution of programs, is essentially like the organization established under the Mutual Defense Assistance Act of 1949. That act likewise involved both military and supporting economic assistance. The House Committee on Foreign Affairs, in reporting favorably on the bill, endorsed the organizational arrangements developed by the administration by which the Secretary of State was given primary responsibility and authority, with operations assigned to the Department of Defense and the ECA (H. Rept. 1263, pt. 2, 81st Cong., 1st sess.). The Senate Committees on Foreign Relations and the Armed Services, in a joint report on the act, declared that:

"In view of the nature of the program, the committees feel that it is logical that the primary responsibility and authority for direction of the foreign mil-

itary-assistance program be lodged in the President and under him the Secretary of State" (S. Rept. 1003, 81st Cong., 1st. sess.).

The committees then went on to endorse operating assignments to the Department of Defense and the ECA. Thus, the administrative arrangements proposed for the Mutual Security Program have already been endorsed by the principal congressional committees in their review of the Mutual Defense Assistance Act of 1949.

5. Undesirable alternatives

You have heard a number of witnesses propose organizational arrangements for this program differing in various aspects from the arrangements proposed by the President. It seems to me that these run counter to the weight of experience. One such proposal would involve the creation of a new super agency to administer the entire program, including control of the funds for military assistance. Another would involve concentrating in the foreign economic assistance agency a large group of activities which are unrelated or only slightly related to the Mutual Security Program. Both of these proposals must be seriously questioned.

The radical proposal to disregard entirely existing organization and establish a super agency to administer the entire program would split responsibility for our foreign policy down the middle and diffuse responsibility for our military policy. The heart of our foreign and military policy is involved in this program.

When anything goes wrong in our relations with a foreign country, the Secretary of State is held responsible. This is inevitable and proper. So long as the Secretary of State must be, and inevitably is, held responsible, he must be in position to conduct our relations with such countries.

It would be a mistake to draw any parallel to the European recovery program in support of establishing a super agency. The ERP involved no military aid. It involved no basic negotiations with the recipient countries by the ECA—for the program was approved by the Congress on the basis of a proposal put forward by the recipient countries after extensive negotiations conducted by the Department of State. Only then was the ECA brought into existence to carry out the program.

Some will argue the benefits of a super agency out of impatience with the delays arising from interagency coordination. It would be a rash individual who would, for example, move ahead in a matter affecting European defense without Defense Department participation.

A super agency cannot ignore the views of Defense on military matters, or the views of the State Department on foreign policy. A super agency could not operate the military portion of the program; that would have to be done by the Defense Department. Coordination is inevitable. If the President himself devoted all his time to this program and made all the decisions, he would still wish to take a full measure of time in evaluating and reconciling the views of the major interested agencies. We are dealing with complex problems of policy and program and not with a simple operating program.

Various recent reports have proposed that there be concentrated in the foreign economic assistance agency a variety of other economic activities. The "Gordon Gray" report recommended a new agency in which would be placed various foreign economic activities. Similarly, the "Rockefeller Board" report recommended the creation of a new foreign economic agency in which various foreign economic activities would be centered. More recently, the Brookings Report to the Bureau of the Budget proposes the transfer of various foreign economic activities to the ECA.

Before discussing the merits of these proposals for centering foreign economic activities, I should like to point out that of the three reports, only the Brookings report was concerned specifically with the organization of our overseas programs. The Gray report dealt primarily with foreign economic policy. It made no special study or analysis of organization problems. The Rockefeller report was primarily concerned with policy in only one area of foreign economic activity, namely, assistance to underdeveloped areas.

I might also add that these various proposals on foreign economic organization cover a much larger legislative compass than is treated in the program presently before the committee. These proposals cover a wide range of statutes dealing with the national stockpile, foreign loans, export control, defense production, and other subjects. In order to legislate the kind of organization proposed by these various studies, it would be necessary to amend these various statutes.

A number of arguments have been advanced before this committee for pulling together foreign economic activities. Because those arguments concentrate upon foreign policy and program, other national policies and programs tend to fade into the background. Given this special focus, the conclusion that foreign economic activities of the Government should be grouped together is almost inevitable. On the other hand, if we view these functions in the broader perspective of their total governmental setting, we arrive at entirely different organizational conclusions.

Export control, for example, is in large part directed toward withholding goods and services to keep them from reaching potential enemy territory. The policy of export control will often clash with the policy of foreign assistance and cannot be subordinate to the latter. The foreign assistance agency should not make the determination as to allocations between competing domestic and foreign demands. Thus, there are compelling arguments against placing export control authority in a foreign economic agency.

Another program proposed for inclusion in a foreign economic agency is the overseas procurement and development of strategic and critical materials. Given the urgency and high priority of acquiring those materials, there is a real advantage in tying together both domestic and foreign operations to that end rather than bringing together related foreign activities. In this way, we can also maintain proper balance between the vigorous procurement of United States mobilization requirements from foreign countries and the economic welfare of those countries.

Indeed, the President has found the need of getting maximum emphasis on our mobilization supply program so great that, acting under the authority of the newly extended Defense Production Act, he is establishing a Defense Materials Procurement Agency to procure and increase the supply of scarce and critical materials both at home and abroad.

Still another activity proposed for a foreign economic agency is the point 4 program for assistance to underdeveloped areas. It is true that the ECA is engaged in economic and technical assistance, including technical assistance to underdeveloped areas. But the ECA has been primarily concerned with emergency economic assistance programs of a larger scale than those carried on under the Act for International Development. The ECA has consistently and deliberately been assigned emergency programs. The Act for International Development is a part of our long-term foreign policy. It is not an emergency program involving operations on a scale which would warrant the establishment of ECA country missions. It should be part and parcel of the tools we bring to bear through our State Department in establishing sound and healthy trade relations in the world on a long-term basis.

There is no actual duplication between the ECA country missions and those of the Technical Cooperation Administration of the Department of State. Only one agency will provide economic assistance in any one country. The ECA will operate where there is a large-scale economic assistance program. The limitation of ECA to emergency programs and the continuation of this longer-term program in the State Department has very distinct advantages in terms of the continuity and coordination of our basic long-range foreign operations.

Aside from the organizational issues involved, it has been suggested that the ECA should be terminated to symbolize the fact that the job for which it was created is largely ended and for various other reasons. Whatever agency is assigned economic assistance, it will have to take over the operations, skills, and resources of the ECA. If a change is proposed which would require the various complicated administrative adjustments attached to closing out one agency and creating a new one, I would say that the administrative headaches and operating difficulties attached thereto argue compellingly against such a move. On the other hand, an approach involving the conversion of the ECA into a successor agency in a manner which will cause no impairment of employee morale, maintain continuity of operations, and permit an easy administrative transition, could not be seriously opposed.

6. The central issues

The President has proposed an organizational pattern tried and tested by experience, and which has been endorsed by congressional committees. It recognizes the essential unity of our foreign policy and programs. It keeps authority and responsibility well defined and moving in harness. It recognizes that the Secretary of State, apart from this legislation, is a key figure in our relations with the rest of the world. It will enable the Department of State to

continue to provide leadership and coordination in administration of foreign affairs, with due regard for the responsibilities of the Department of Defense. It makes good and proper use of the organization of an experience of one of the most successful agencies created in recent times, the Economic Cooperation Administration. It retains ultimate control and direction of foreign policy administration where they were placed by the Constitution—in the President.

Any radical pulling apart and reshuffling of existing organization must cost money and temporarily but severely jolt smooth and effective operations. Unless real counterbalancing gains can be demonstrated—and I cannot see them—then we pay a price in dollars and time and efficiency.

I cannot close without stressing the urgency of the administrative choice which confronts the Congress. This is far more than a decision about lines and boxes on a chart. It will determine whether we may continue to benefit from nearly two centuries of experience with American foreign policy administration. It will determine whether we are to lend credence to the image which our enemies abroad try to foist on the world, an image of a country whose foreign relations are unstable and unreliable. The task of building an American foreign policy administration consistent with sound management, with the tremendous work to be done, and with our system of checks and balances is a difficult and never-ending one. It can best be furthered by adopting the President's proposals.

DEPARTMENT OF STATE,
Washington, D. C., July 31, 1951.

The Honorable JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

MY DEAR MR. RICHARDS: As a result of the developments in the course of the hearings and of further information received since the mutual security program was first submitted to your committee, a number of relatively minor changes in the proposed legislation appear to be desirable. These proposed changes have the concurrence of the same departments of the Government which approved the original draft legislation.

1. Section 303 (a) is proposed to be amended to read as follows:

"Sec. 303. (a) In order to provide for the United States contribution to the United Nations Korean Reconstruction Agency, established by the resolution of the General Assembly of the United Nations of December 1, 1950, there are hereby authorized to be appropriated to the President not to exceed \$112,500,000. In addition, unobligated balances of the appropriations heretofore made, and available during the fiscal year 1951, for assistance to Korea under authority of the Far Eastern Economic Assistance Act of 1950, as amended (22 U. S. C. 1551, 1552, 1543), are hereby authorized to be continued available through June 30, 1952, and to be consolidated with the appropriation authorized by this section. The President is authorized to make contributions to the United Nations, out of funds made available hereunder, in amounts not exceeding in the aggregate \$162,500,000 for the United States contributions to the United Nations Korean Reconstruction Agency."

The purpose of the change is to place a ceiling of \$162,500,000 on the amount of contributions that may be made available to UNRRA. Section 303 (a) in its present form would permit contributions to exceed that sum to the extent that unobligated balances of existing appropriations exceed \$50,000,000. It will be recalled that Mr. Cabot was asked about this matter, and testified that such a ceiling would be entirely acceptable.

2. In section 303 (b) (line 21, p. 8 of S. 1762) the words "in Korea" should be eliminated. In its present form, the title of the command is incorrectly described as "The United Nations Unified Command in Korea." Actually, the United States Government speaks as the unified command.

3. The following changes are proposed for section 503:

(a) It is suggested that the first sentence be amended to read as follows:

"Funds made available for carrying out the provisions of title I of this Act shall be available (1) for the administrative expenses for carrying out the purposes of all of the titles of this Act, including expenses incident to United States participation in international security organizations and expenses of domestic programs under the Act for International Development, and (2) for promoting, pursuant to the authority contained in the Economic Cooperation Act of 1948, as amended, in areas covered by this Act, the increased production of materials in which the United States is deficient."

The purpose of this addition is to permit the use of title I funds for strategic-materials development. The need for this stems from the nature of the budget presentation of the Mutual Security Program. ECA, in its presentation to the Bureau, included a sum of about \$55,000,000 for strategic materials development in its title I request. The idea was to use this \$55,000,000 in the title III area as well as in the dependent areas of the title I countries. Apparently no thought was given at the time of the presentation to the statutory restriction on the use of title I funds until after the budget presentation to Congress was frozen by the Bureau, so all the funds for strategic-materials development in all areas is in the title I authorization. Authority to use these funds in other areas than the title I area is therefore necessary if the funds are to be used as planned and budgeted. There is no thought by this change to permit the development of materials except in accordance with authority already contained in the Economic Cooperation Act, particularly sections 115 (i) and 117 (a).

(b) In line 14, page 12 of S. 1762 the word "department" is misspelled—there is an extra "e".

4. In section 505, it is proposed that the present provisions be designated section 505 (a) and a new subsection 505 (b) be inserted in the following form: "(b) Section 110 (a) (1) of the Economic Cooperation Act of 1948, as amended, is amended to read as follows:

"(1) employ persons and engage the services of officers and employees of other departments and agencies of the United States Government, and such individuals may receive compensation at the rates provided for the Foreign Service reserve and staff by the Foreign Service Act of 1946 (60 Stat. 1009), as amended, together with allowances and benefits established thereunder; and . . ."

The proposed amendment of section 110 (a) (1) of the Economic Cooperation Act of 1948, as amended, is intended to do two things: (1) to put ECA and State's TCA on equal footing with respect to employees of the Public Health Service and the employees of certain other Government agencies; and (2) to put all United States Government employees working in foreign assistance missions abroad on as nearly equal a footing as possible with respect to compensation allowances and other benefits.

TCA, under section 413 (a) of the Act for International Development, provides Public Health Service officers' salaries, allowances, and other benefits at the same rates as to officers of the Foreign Service Reserve and Staff. ECA, however, has no special authority to pay Public Health Service officers salaries and allowances beyond those paid them as career officers by Public Health Service under the regulations of the Service. The general counsel of the Federal Security Agency has even ruled that Public Health Service officers may not, in the absence of special statutory authority, have their autos transported overseas by ECA—even though ECA has general authority to transport autos overseas at Government expense. As a result of the discrepancy in the compensation and other payments available to Public Health Service officers working for TCA and ECA, even though ECA has general authority to transport autos overseas at Government expense, it is becoming increasingly difficult to recruit Public Health Service people to work for ECA.

Quite apart from the above situation, ECA is anxious to have all employees working for ECA overseas receive the same salaries, allowances, and other benefits. The existing differences are evidently causing a rather touchy personnel situation at a number of the missions and in the field. The best solution appears to be to permit all Government employees working abroad for ECA to receive pay and allowances equivalent to that given Foreign Service reserve and staff.

4. In section 500, the following changes are suggested:

(a) In the original presentation of the program, section 500 of the draft bill contained two provisions which it is now proposed to delete:

(1) In section 500 (b), all of the last two sentences should be deleted. The explanation for this proposal was given in the testimony of Mr. Ooms and Captain Robillard.

(2) All of section 500 (e), as it appears in the original draft bill, should be deleted. The reason for this deletion was also explained in the course of the hearings on July 30.

(b) In subsection (b) (1), page 15, line 1, the word "such" should be deleted. This will correct a drafting error. It has also been suggested that the word "such" in line 3 of page 15 be changed to "the." This is not as important, but would be an improvement.

(c) A new subsection (e) is proposed, to be inserted after line 16 on page 18, reading as follows:

"Except as otherwise provided by law, no recovery shall be had for any infringement of a patent committed more than 6 years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt by the Government of a written claim under subsection (c) above for compensation for infringement of a patent and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the 6 years, unless suit is brought before the last-mentioned date."

The purpose of this proposal has been explained in the testimony of Mr. Casper W. Cooma.

After these changes have been made, section 500 will read as shown in the attachment to this letter.

B. A new section 514 is suggested in the following form:

"Sec. 514. Any equipment or materials procured to carry out the purposes of this act shall be retained by or transferred to, and for the use of, such department or agency of the United States Government as the President may determine in lieu of being disposed of to a foreign nation whenever, in the judgment of the President, such disposal to a foreign nation will not be in the interest of the United States, or whenever such retention is called for by concurrent resolution by the two Houses of the Congress."

The purpose of this proposal is to make the provisions of section 408 (f) of the Mutual Defense Assistance Act applicable to all countries receiving assistance. Section 408 (f) in its present form applies only to North Atlantic Treaty countries. A few changes have been made in the language of the original section in order to make it appropriate for other areas. The purpose of the section is to authorize other United States Government agencies to use material or equipment, originally procured for assistance to other countries, which is found to be more important to the United States Government.

6. It will be recalled that Secretary Acheson testified before the House committee that there would be no objection to requiring intertitle transfers made under authority of section 501 to be specially reported to congressional committees as in the case of sections 408 (c) and 408 (e) of the Mutual Defense Assistance Act. For this purpose, the final sentence of section 408 (c) could be used without change, as follows:

"Whenever the President makes any such determination he shall forthwith notify the Committee on Foreign Relations of the Senate, the Committees on Armed Services of the Senate and of the House of Representatives, and the Committee on Foreign Affairs of the House of Representatives."

Sincerely yours,

CHARLES A. COOLIDGE,
Deputy Director, International Security Affairs.

SECTION 500

Sec. 500. (a) As used in this section—

(1) the term "invention" means an invention or discovery covered by a patent issued by the United States, and

(2) the term "information" means information originated by or peculiarly within the knowledge of the owner thereof and those in privity with him, which is not available to the public and is subject to protection as property under recognized legal principles.

(b) Whenever, in connection with the furnishing of military assistance in furtherance of the purposes of this Act—

(1) use within the United States, without authorization by the owner, shall be made of an invention, or

(2) damage to the owner shall result from the disclosure of information by reason of acts of the United States or its officers or employees, the exclusive remedy of the owner of such invention or information shall be by suit against the United States in the Court of Claims for reasonable and entire compensation for unauthorized use or disclosure. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by any defendants in a like action.

(c) Before such suit against the United States has been instituted the head of the appropriate department or agency of the Government, which has furnished military assistance in furtherance of the purposes of this Act, is authorized and

empowered to enter into an agreement with the claimant, in full settlement and compromise of any claim against the United States hereunder.

(d) This section shall not confer a right of action on anyone or his successor or assignee who, when he makes such a claim, is in the employment or service of the United States, or who, while in the employment or service of the United States, discovered, invented, or developed any invention or information on which such claim is based.

(e) Except as otherwise provided by law, no recovery shall be had for any infringement of a patent committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt by the Government of a written claim under subsection (c) above for compensation for infringement of a patent and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the six years, unless suit is brought before the last-mentioned date.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C., August 2, 1951.

Mr. Louis Lipsky,
American Zionist Council, New York, N. Y.

DEAR MR. LIPSKY: Upon reading the record of the hearings before the Committee on Foreign Affairs, it seemed to me that three questions were raised upon which a statement from you incorporated in the record might be helpful. These are: (1) Has Israel complied with United Nations decisions in respect of its borders with the Arab States; (2) has Israel opposed United Nations resolutions regarding internationalization of Jerusalem; and (3) what was Israel's responsibility in respect of the flight of the Arab refugees.

Sincerely yours,

J. K. JAVITS, Member of Congress.

AMERICAN ZIONIST COUNCIL,
New York, N. Y., August 6, 1951.

HON. JACOB K. JAVITS,
House Office Building, Washington, D. C.

MY DEAR CONGRESSMAN JAVITS: This will acknowledge your letter of August 2. I appreciate your courtesy in submitting these questions to us and enabling us to present the answers.

I am enclosing a memorandum prepared by the American Zionist Council which responds to the three questions you raise.

Sincerely yours,

LOUIS LIPSKY, Chairman.

I. THE UNITED NATIONS' RESOLUTIONS AND ISRAEL'S FRONTIERS

Question: Has Israel complied with United Nations' decisions in respect of its borders with the Arab States?

Israel's present boundaries rest on formal armistice agreements with the Arab States, negotiated and under the auspices of the United Nations itself. Israel does not hold an inch of territory outside these boundaries, nor does it claim any territory belonging to any Arab States or any part of Palestine now occupied by Arab States.

2. Israel has repeatedly offered to sign peace treaties with her Arab neighbors on the basis of the present boundaries. But the Arab States continue to refuse to negotiate a peace settlement. Despite the armistice agreements, they regard themselves at war with Israel.

THE ORIGINAL UNITED NATIONS' PARTITION RESOLUTION

3. The first United Nations' resolution on Palestine, adopted November 29, 1947, called for the partition of Palestine into two independent states. Jewish and Arab, and a Jerusalem enclave, all to be united by internationally supervised economic union.

4. The Jewish authorities in Palestine—the Jewish Agency and the National Jewish Council—were the only major party in interest that accepted that resolution without qualification or reserve.

5. Under the UN plan, the two states were to have been interwoven, their boundary lines crossing twice and dividing each of the states into three non-contiguous segments, accessible only at the two cross-overs. This division was feasible only in peace. The boundaries would surely disappear in conflict. If the Arabs had accepted the November 29 UN resolution, the separate Arab State would have come into being and those boundary lines would today be in effect.

6. But the Arab Higher Committee of Palestine, led by the ex-Mufti of Jerusalem, and the Arab League declared open war on the resolution from the very beginning. Before the UN Ad Hoc Committee on Palestine on November 24, 1947, Jamal Husseini, spokesman for the Arab Higher Committee, declared: "The partition line proposed shall be nothing but a line of fire and blood."

7. Inside the Jewish area, the Palestinian Arabs began guerrilla warfare the day after the Assembly voted, while Arab volunteers and mercenaries freely crossed the frontiers from the neighboring Arab States and joined the conflict. The mandatory power in Palestine declined to accept the UN recommendations, refusing to help implement them. The United Nations Palestine Commission, blocked by Arab opposition and the mandatory's indifference, never went to Palestine, but reported to the Security Council on February 10, 1948: "Powerful Arab interests both inside and outside Palestine are defying the resolution of the General Assembly and are engaged in a deliberate effort to alter by force the settlement envisaged therein."

THE FAILURE TO IMPLEMENT

8. Confronted with a breach of the peace and armed defiance of an Assembly resolution, the Security Council, under the leadership of the United States delegation, moved to abandon the original partition resolution. It summoned the General Assembly into special session in April 1948. The United States then proposed a new plan for a trusteeship in Palestine, but this, it developed, was acceptable to none of the parties and the Assembly adjourned without a new decision. The mandatory left Palestine on May 14, and the Jewish State was immediately proclaimed, in conformity with the original UN resolution of November 29, 1947.

9. The Arab States attacked Israel from four sides. Jordan moved to capture the eastern part of Palestine, including Jerusalem. Egypt intended to occupy the coastal plain, including Tel Aviv, and also Jerusalem. And Syria and Iraq proposed to divide Galilee and northern Palestine, including Haifa. But that partition of Palestine was defeated by the resistance of the newly created Israel Army. However, the Jordan and Egyptian Armies did succeed in occupying part of Arab Palestine, and they remain there today.

10. The boundaries envisaged in the original partition plan were thus erased by the Arab invasion. The independent Arab State never came into being because its territory on the east and in the center of Palestine was seized by Jordan and on the southwest coast by Egypt. Israel, for its part, gained territory in the fighting. The western Galilee, a rocky and mountainous region, isolated from the rest of Arab Palestine and a salient dividing Israel into two, had been used as a base for Arab irregulars during the fighting, and the Israeli forces captured this area, uniting their divided State. The Israelis succeeded in operating a corridor from the coast to bring food and water to the beleaguered city of Jerusalem. That corridor, essential to Jerusalem's survival, remains in Israel's hands.

THE EXISTING BOUNDARY SITUATION

11. Under the original partition resolution, the area allotted to Israel was about 5,000 square miles. Today, with the addition of western Galilee and the Jerusalem corridor, the area of Israel is about 8,100 square miles. The boundaries which divide Israel and her Arab neighbors in the main follow the truce lines which were in existence when the fighting came to an end in 1948. These boundaries are set forth in the armistice agreements negotiated by Dr. Ralph Bunche, former UN mediator, in compliance with the Security Council resolution of November 16, 1948. While there have been occasional frontier clashes between Arabs and Israelis during the last 2 years, the frontiers have not changed and Israel holds no position in violation of them.

12. Since the signing of these armistice agreements, there has never been a proposal at the United Nations to revise the frontiers or to revert to the 1947 partition boundaries. No such proposal could be seriously entertained for it would first have to overcome the opposition of Jordan which has since annexed eastern Palestine.

13. The Soviet Union, has, on occasion, declared that it still supports the 1947 partition plan in principle, and this line is followed by Communists in Arab Palestine and in Israel in an effort to stir the Arab refugees into revolt against the rule of Jordan and Israel.

14. During discussions with the United Nations Palestine Conciliation Commission at Lausanne, the Arab States proposed that the 1947 partition plan be a starting point for negotiation, but they then went far beyond that by laying claim to east Galilee, to west Galilee, to the northern and southern Negev and to the territory between Jerusalem and the coast. Thus, they would have reduced Israel to a tiny coastal area of about 20 percent of Israel's present territory.

15. But such proposals have evoked no sympathetic response at the United Nations where it is generally accepted that an aggressor is estopped to claim territory lost in conflict he initiated.

16. The Palestine situation has its analogy in Korea. There, a political boundary, the thirty-eighth parallel, like the partition frontier, was created by an act of aggression. The UN has taken the position that the North Koreans cannot reestablish a line they themselves violated. The same principle applies in Palestine.

17. It should be emphasized that Israel holds no territory belonging to the Arab States or beyond the old international frontier of Palestine. On the other hand, two Arab States, Egypt and Jordan, now hold substantial areas in Palestine territory beyond their original frontiers, and a third Arab State, Syria, is attempting to win control over Israel territory in the region of Lake Huleh. It is often said that the Arabs fear Israel's expansion because of Israel's large influx of immigrants and because Israel maintains a large armed force. If these fears are genuine they can best be allayed by peace treaties. Israel has repeatedly affirmed her readiness to enter into peace treaties with her Arab neighbors on the basis of the existing armistice agreements.

THE ATTITUDE OF THE ARAB STATES

18. The attitude of the Arab States has been intransigent from the beginning. In 1947 they were opposed to any plan which might give rise to an independent Jewish state in any part of Palestine. They were determined to establish an all-Arab state in the country and therefore in 1947 they opposed both the majority (partition) and minority (federation) reports of the United Nations Special Committee on Palestine. In early 1948 they opposed the United States plan for a trusteeship. Then they went to war. They agreed to a 30-day truce, but when it expired they renewed the fighting and did not stop until they were compelled to comply with a Security Council order. In the fall of 1948, at the Paris session of the General Assembly, they rejected the Bernadotte plan which would have turned over the entire Negev, the Palestine desert, to Jordan. Throughout they refused to concede that Israel could possibly exist. They would accept no compromise of any kind.

19. In 1948, 1949, and 1950 the General Assembly adopted resolutions calling on Israel and the Arab States to reach a settlement of their differences. Israel has, each time, informed the UN of its readiness to negotiate. For 18 months the UN Palestine Conciliation Commission met in Switzerland in a futile effort to bring about a beginning of peace negotiations. But throughout the entire period the Arab delegations refused even to meet in the same room with the Israel representatives. As recently as December 1950, at the fifth session of the General Assembly, they continued to oppose direct negotiations with the new state.

THE ECONOMIC BLOCKADE

20. Since the collapse of their military effort to liquidate Israel, they concentrate on economic and political warfare, in the hope that they can strangle Israel by economic blockade.

21. Egypt shuts off the Suez Canal. This has been condemned by Dr. Ralph Bunche and has been described by Lt. Gen. William E. Riley, Chief of Staff of the UN Truce Supervision Organization in Palestine, as "an aggressive and hostile act." Israel estimates the total cost of the Suez blockade at \$150,000,000. The United Kingdom, France, Australia, and many other nations have repeatedly protested this interference with international shipping and the issue is now before the UN Security Council. The Egyptian blockade prevents the

passage of crude oil from the Persian Gulf to the British-owned refinery at Haifa. The result is to deny Western Europe the oil supply essential to recovery and rearmament. The situation has become more serious because of the shut-down at Iran. Thus, on August 1, 1951, Sir Gladwyn Jebb, representative of the United Kingdom, told the Security Council that Egypt's stopping of tankers had caused Britain "great inconvenience and considerable financial loss." He said: "I need scarcely remind the Council that owing to other events in the Near East the need for utilizing to the full any available refining capacity at Haifa and elsewhere may well become even more pressing if the supply of petroleum products is to be maintained for great areas of the world, including Western Europe and many countries of Asia."

22. Meanwhile, Iraq refuses to let oil flow through the pipelines to Haifa and, as a result, that refinery operates at only 25 percent of its capacity, using crude oil that is brought by tanker all the way from distant South America.

23. Syria wants to cut off the headwaters of the Jordan, stop the Huleh drainage project, and thus block Israel's long-range irrigation and agricultural development plans. When the Palestine fighting ended in 1948, Israel was in occupation of a strip of Lebanese territory while Syria had crossed its frontier and occupied a strip of Israel's soil in the vicinity of Lake Huleh in eastern Galilee. Israel had no desire to hold Lebanese territory. During the armistice negotiations it agreed to withdraw to the old frontier. It had been given to understand that Syria would do the same. But, after the Lebanese-Israel agreement was signed, Syria refused. After a long and stubborn negotiation, Syrian forces withdrew but a small area of Israel's soil was demilitarized. In this area Israel has been carrying forward a large-scale drainage project for the purpose of curbing malaria, reclaiming marshlands, and facilitating the irrigation program for the remainder of the country. It is this project that Syria has sought to block by military action in recent months.

24. The hostility of the Arab League was responsible for the collapse of the Jordan-Israel peace negotiations. Article 8 of the Israel-Jordan armistice agreement provides that the two states should carry out certain agreements whereby Jordan would open the old city in Jerusalem and the road to the Hadaasah Hospital and the Hebrew University—the great cultural and scientific institutions on Mount Scopus which have now been closed for 3 years—in exchange for similar concessions on the part of Israel. In the spring of 1950, King Abdullah of Jordan was ready to agree to the implementation of article 8, and also to open commercial relations with Israel which would have been a great boon to both states. But he was forced to desist by the threat of expulsion from the Arab League.

25. In the light of this record it is clear that Israel has not been the aggressor in the Near East, and has consistently favored a peace settlement with those Arab States that started the war against it. It does not violate its frontiers which were negotiated under the auspices of the United Nations.

II. ISRAEL AND JERUSALEM

Question: Has Israel opposed United Nations resolutions regarding internationalization of Jerusalem?

26. Israel's position on Jerusalem is in harmony with that of the United States and many western countries in the United Nations. It favors functional internationalization, i.e., an international regime authorized by the United Nations to supervise the holy places sacred to the three faiths. This position, consistently maintained by Israel, was held by the United States, both in 1949 at the General Assembly, when it was a minority view, and in 1950 when other leading powers espoused the same program.

THE ORIGINAL UN JERUSALEM RESOLUTION

27. The original plan to internationalize Jerusalem was embodied in the November 29, 1947, partition resolution. Israel was the one major party that was ready and willing to accept it. The UN Trusteeship Council was directed to draw up a draft statute for the government of Jerusalem. Israel's representatives cooperated with the Council in this task. They believed and hoped that internationalization would insulate the historic city from the conflict which appeared inevitable. But, just as the UN Palestine Commission found it impossible to implement the over-all partition resolution, so the Trusteeship Council abandoned its assignment.

28. In the meantime, Jerusalem was isolated and besieged by Arab forces which surrounded it. In 6 weeks, 1,400 men, women, and children—a staggering proportion, $1\frac{1}{4}$ percent of the Jewish population—were killed in the defense of their city. The international community did not save Jerusalem from disaster. The UN did not move to defend the city. The people of Jerusalem were rescued by young men and women from Israel, who gave up their lives to open the road from the Mediterranean coast and to bring them food and water.

29. While the new city, built largely by the Jewish development of the last century, was able to withstand attack, the Arab Legion forces occupied the old city, the Jewish population of the ancient quarter were driven out, and some 20 Jewish synagogues and shrines were destroyed. The old city became part of Jordan, the new city became part of the State of Israel. Order has been restored to Jerusalem. The people live at peace, and the new city grows rapidly as the capital of the State of Israel.

Functional Versus Territorial Internationalization

30. The State of Israel and the Jewish people of Jerusalem are ready to accept and cooperate with an international regime to supervise the holy places. They believe that the UN can establish an authority to safeguard access to the shrines and to guarantee full exercise of religious rights for all faiths. But they oppose territorial internationalization, i. e., the imposition of foreign rule over the city and the abridgment of the natural rights of the people. They regard this as inequitable and self-defeating. In their view, it is the holy places of Jerusalem, not its area and people, which should be under international supervision.

31. Notwithstanding the failure of 1948, which demonstrated the impracticability of the plan, the United Nations in December 1949 called again for the complete internationalization of Jerusalem and its environs. It directed the Trusteeship Council to implement it. The United States delegation opposed this unworkable plan which was put through by a strong and strange combination of Soviet, Latin American, and Arab States. The Arab States had previously opposed internationalization because they wanted Jerusalem to be an all-Arab city. Defeated in that objective, they then changed their position. However, Jordan, the one Arab state which occupies any part of Jerusalem, has always opposed any kind of internationalization and still does.

32. The Trusteeship Council met in Geneva early in 1950, to draw up a new statute for Jerusalem. But Jordan, the state most directly concerned—for almost all the holy places are inside the old city—refused to permit any United Nations supervision in Jerusalem. It declined to appear before the Council. Israel offered a counterproposal—functional internationalization.

ISRAEL'S PROPOSAL

33. In a memorandum submitted to the Trusteeship Council of the UN in May 1950, the Israel delegation declared:

"(3) In Jerusalem, the holy places of the three world religions are gathered in a unique concentration. These sanctuaries command a world-wide reverence, far transcending their purely local environment. The protection of the holy places and of free access thereto, and the maintenance of existing religious rights, constitute an international trust for which the responsibility of the United Nations should be universally recognized. The Government of Israel believes that the United Nations should be enabled effectively to exercise that responsibility, which should also be expressed in appropriate juridical form.

"(4) Accordingly, any solution which the Government of Israel can commend or support must simultaneously fulfill two objectives: it should satisfy the principle of United Nations responsibility for all matters directly affecting the holy places and free access thereto; and it must leave the population of the city free to express their inalienable national loyalty through the democratic institutions which they have helped to create in Jerusalem and in their own State."

(The main features of the Israel proposals are contained in appendix A.)

34. At the 1950 session of the General Assembly, the Trusteeship Council reported that it was unable to carry out the 1949 resolution. It transmitted Jordan's refusal and Israel's offer. A number of western states—Sweden, Canada, the Netherlands, the United Kingdom—all advocated functional internationalization, along the lines of Israel's plan, which had been widely approved by public opinion all over the world. The United States also took this position. However, no vote was taken on that proposal. Advocates of full internationalization, realizing that they no longer could command the needed majority in the

Assembly, did not seek a reaffirmation. Instead, they urged the dispatch of another mission to Jerusalem, in the hope that the original plan might still be carried out. But even this was defeated. No resolution was adopted. No action was taken.

35. Thus, it is inaccurate to suggest, as do Arab spokesmen, that Israel blocks internationalization. Real progress toward a practical and feasible international regime for Jerusalem's holy places is blocked on the one hand by the opposition of Jordan to any kind of plan and, on the other, by the uncompromising attitude of extreme advocates of internationalization.

III. ISRAEL AND THE ARAB REFUGEES

Question: What was Israel's responsibility in respect of the flight of the Arab refugees?

36. There would not be a single Arab refugee in the Near East today if the Arab Higher Committee and the Arab League had accepted the November 29, 1947, resolution.

37. In any discussion of responsibility for that tragic exodus, affecting so many innocent men, women, and children, it must be kept in mind that the Palestine refugees today would have been living in the independent Arab state or in the State of Israel (where 170,000 Arabs now live in peace with their neighbors), if the Arabs had not rejected the November 29, 1947, resolution and waged war against the resolution and Israel. Recrimination over responsibility will not resettle the Arab refugees nor compensate them for their losses. But since Arab leaders seek constantly to disavow guilt and to fasten it on Israel, the facts must be recorded. The central and incontrovertible fact is that the Arab Higher Committee stimulated, organized, and directed the mass exodus.

THE FACTS OF RESPONSIBILITY

38. The day after the UN partition resolution was adopted in 1947, the Arab Higher Committee launched a campaign of violence against the Jewish community. The road to Jerusalem was blocked off; convoys were attacked; settlement guards were ambushed and killed; roads were mined and settlements isolated; a Jerusalem street was blown up and more than 50 men, women, and children died in the night; a group of young Hebrew university students were massacred on the road from Jerusalem to Hebron; the Jewish Agency in Jerusalem was bombed, with heavy casualties. There was needless retaliation. Innocent Arab men, women and children were slaughtered at the village of Deir Yassin in an undisciplined and needless attack by Jewish irregulars—an incident bitterly repudiated at the time by the Jewish Agency for Palestine. A few days later some 70 Jewish doctors, nurses, and scientists were put to death in a convoy set afire on the road to the Hadassah Hospital.

39. These clashes and counterclashes accelerated the Arab exodus. But it started long before then. It began in December 1947, immediately after the partition resolution, when wealthy Arabs who could afford to leave the country departed in the expectation that they would return after a quick Arab victory. Other Arabs followed the example set by their leaders. Exploiting the conflict, the Arab Higher Committee called on the Arab population to leave the country en masse. This was many weeks before Deir Yassin. The Jews appealed to the inhabitants of Haifa and of the Sharon Plain to remain, for they were eager to avert war and they wanted to live at peace with their Arab neighbors.

40. Thus, when 200 armed soldiers of the Haganah wrested the port of Haifa in Jewish Palestine from Arab forces in April 1948, almost all the 65,000 Arab inhabitants of that city promptly picked up and left, at the command of the Arab Higher Committee. They ignored the appeals of the Jews that they remain. (See appendix B for an official British account of this incident.) They were determined to show to the United Nations that under no circumstances would the Arabs live at peace with the Jews in a Jewish state. But, as Mr. Clarence Pickett, of the American Friends Service Committee, testified before the Committee on Foreign Affairs, the Arab radio at Ramallah called upon the Arabs to get out, promising them they would return within a short period to kill all the Jews and take possession of their property. Events proved this to be a gigantic blunder.

41. There is ample evidence from Arab sources of the fact that the Arab leadership precipitated the mass departure of the Arabs from Palestine. Mr. Habib Issa, acting editor of Al-Hoda, the chief daily newspaper of the Arabic-

speaking community in the United States, described it in his newspaper on June 8, 1951. (See appendix C for translation of his article.)

THE DEMAND FOR REPATRIATION—WITHOUT PEACE

42. When the fighting ended and the UN truce came, the Arab Higher Committee and the Arab States were confronted with the grave consequence of their miscalculation, but they refused to accept it. Charging Israel with the "expulsion" of the Arab refugees, they insisted upon repatriation. They would not discuss resettlement in Arab lands. The very presence of the refugees was an embarrassment. It was evidence of a political and military defeat which the leaders of the Arab States did not wish to admit to their people. Throughout 1948, 1949, and 1950 the Arab States refused to negotiate a peace treaty with Israel, insisting that Israel must first agree to the return of the Arab refugees. In Israel's view this was a demand to commit suicide. Israel could not agree to the return of large numbers of Arab refugees who were not ready to give their loyalty to the new state and who would surely constitute an explosive fifth column should the Arab States renew hostilities. Arab publicists themselves openly urged the return of the Arabs as a potential subversive force to facilitate the second round of fighting for which they constantly called.

43. It should be noted that there has always been a tendency to exaggerate the number of the Arab refugees. It has been variously estimated at between 600,000 and a million. But the total number of Arabs in all of Palestine did not exceed 1,200,000 in 1947. There are now 170,000 Arabs in Israel. Between 400,000 and 500,000 remained in the Arab part of Palestine which has been incorporated into Jordan. Unless one regards all the Arabs now living in Israel and Jordan as refugees, the figure of a million is obviously gross exaggeration. The number of bona fide refugees is actually about 600,000. The fact is that many indigent members of the local Arab populations throughout Palestine and the Arab countries were included in UN refugee relief.

44. Repatriation of a substantial number might have been possible if the Arab States had been disposed to enter into peaceful relations with Israel. Some Arab refugees—a figure estimated at more than 20,000—did filter back. Israel permitted the reuniting of families in certain instances.

45. Eager to break the impasse in negotiations and open the way to peace, Israel made a concrete repatriation proposal in 1949. It had been suggested to Israel by the Palestine Conciliation Commission that if Israel would agree to accept a substantial number of the Arab refugees, the Arab States might do likewise and that could well mean the beginning of a final and decisive solution of the problem. Accordingly, in the summer of 1949, in negotiations at Lausanne, Israel offered to take back 100,000 Arab refugees. But the Arab States rejected the offer.

THE STATUS OF THE ARABS IN ISRAEL

46. It should be pointed out that the Government of Israel has spent large sums for the care of Palestine refugees within its own borders and also to lift the living standards of the entire Arab population inside Israel. It estimates that between May 15, 1948, and December 31, 1949, it spent 3,010,495 Israel pounds for Palestine refugees. In the calendar year of 1950, it spent an additional 903,149 pounds. This makes a total of more than \$11,000,000.

47. On December 6, 1950, Foreign Minister Moshe Sharett of Israel told the Ad Hoc Political Committee of the United Nations of the efforts his Government had made to raise the living standards and to secure the political rights of the Arabs inside Israel (UN document A/AC.38/SR71).

48. He stated that Arab women had voted for the first time in history in Israel's first election. In 1944-45, only 45 percent of Arab children of school age were at school. In 1949-50, 83 percent were at school, the result of Israel's new compulsory education law, and it was expected that the figure would soon rise close to 100 percent.

49. In Jewish areas, the Government paid 60 percent of education expenditures, because it was a tradition of Jewish communities to defray part of the cost. But in Arab areas, the State of Israel bore the entire expenditure. The same was true of health expenditures and the Arabs now had full hospitalization for all costs of contagious diseases. Mr. Sharett also told the committee that before the state was established, an unskilled Arab workman had received 40 percent of the wages paid to Jewish labor. The figure now stood at 85 percent. And there was no differential between the wages earned by Arab and Jewish skilled labor.

50. On July 1 of this year, the Prime Minister's office in Israel announced further progress with regard to the status of Arabs in Israel. According to the Jewish Telegraphic Agency, the Custodian of Absentee Property had decided to release the property of Arabs who were citizens of Israel. The Custodian was prepared to release upon application all movable property and to consider the release of urban real property as well as unfreeze all Arab bank accounts. The government was permitting some 23,000 Arab infiltrates to remain permanently in the country. In addition, it was known that 18,000 infiltrates resided illegally in Arab villages. The report stated that the 170,000 Arabs in Israel included 32,000 living in cities and towns, 120,000 in rural communities, and 18,000 nomads. The Government had carried out pledges of political equality contained in the Israel declaration of independence. It had published its Official Gazette in Hebrew and Arabic, inscribed its currency in both languages, sponsored regular Arabic radio broadcasts and extended the franchise to the Arab population.

51. Over 31,000 Arabs voted in Israel's first general elections and more than 75,000 participated in the second this summer.

RESETTLEMENT AS THE PREFERRED SOLUTION

52. Throughout this period, Israel has stressed that the real solution of the problem is the resettlement of the Arab refugees in Arab lands among their own people, in a culture and economy congenial to their own interests and aspirations. Vast areas of Arab land are available for this purpose. Syria, for example, has an area of about 69,063 square miles with a population of only about 3.4 millions. Iraq, with an area of 116,000 square miles, has a population of only about 4.8 millions. Manpower is urgently needed in both states to carry out long delayed irrigation projects.

53. Moreover, Israel has been taking in large numbers of Jewish refugees. Approximately half—more than 300,000—have come from Moslem lands: Iraq, Yemen, Iran, Syria, north Africa. And many more are on the way. Inasmuch as the Jewish communities are steadily streaming out of the Arab lands to Israel, the resettlement of the Arab refugees in the Arab countries becomes a logical and rational population exchange.

THE PLEDGE OF COMPENSATION

54. Israel has offered to compensate the Arab refugees for their abandoned lands. Such compensation would be paid by Israel into the United Nations reintegration fund and would be used for resettlement purposes. The statement of the Ambassador of Israel before the Ad Hoc Political Committee of the United Nations, on November 7, 1950, is reported in UN document A/AC.38/SR.35:

"With reference to the statement of the director of the agency that large sums would be required for the reintegration of the refugees, he (Mr. Eban) supported the recommendation in paragraph 69 of the agency's report, which proposed that the United Nations should authorize contributions to a fund that would be available for projects of refugee reintegration. His Government was willing to pay compensation for abandoned lands. It was essential that those sums should be paid into the refugee reintegration fund, and it was preferable to adopt collective methods of paying the compensation rather than to attempt to solve the problem by means of individual indemnities."

This proposal was made at the fifth session of the General Assembly, when the Assembly for the first time undertook concrete measures looking to the solution of the Arab refugee problem by resettlement.¹ (See footnote for text of General Assembly resolution.)

55. Ambassador Eban told the Ad Hoc Political Committee on December 4, 1950, that his Government was prepared "to discuss the principles for the assess-

¹ The resolution of the General Assembly of the United Nations adopted on December 2, 1950, declared, inter alia:

"The General Assembly . . .
 "4. Considers that, without prejudice to the provisions of par. 11 of General Assembly Resolution 194 (III) of December 11, 1948, the reintegration of the refugees into the economic life of the Near East, either by repatriation or resettlement, is essential in preparation for the time when international assistance is no longer available, and for the realization of conditions of peace and stability in the area;

"5. Instructs the agency to establish a reintegration fund which shall be utilized for projects requested by any government in the Near East and approved by the agency for the permanent reestablishment of refugees and their removal from relief;

"6. Considers that, for the period July 1, 1951, to June 30, 1952, not less than the equivalent of \$30,000,000 should be contributed to the agency for the purposes set forth in par. 5 above . . ."

ment and procedures for the payment of compensation with the Committee of Experts already established by the Conciliation Commission for that purpose" (UN document A/C.38/SR69). The UN's representatives are now making this study in Israel. Israel's position on this issue has a direct bearing on its request for financial assistance. Ambassador Eban referred to his Government's intention to pay compensation in his note to the Secretary of State requesting aid. He said:

"10. In addition to the burdens imposed by immigration and defense, the Government of Israel has undertaken to make its due contribution toward the solution of the Arab refugee problem in the Near East. It has declared its willingness to support the reintegration fund to be established by the United Nations by paying into it funds accruing from compensation for abandoned Arab lands, on the understanding that such funds will be used for the permanent resettlement of Arab refugees in conditions which would conform with their own welfare and with the ultimate stability of the Near East. Under this arrangement, which has been publicly announced in the United Nations, Israel is probably assuming a heavier financial commitment in the Arab refugee problem than any other single member government, notwithstanding the fact that the problem itself was actually created in the course of a deliberate attempt to destroy Israel's existence, as a result of which Israel sustained heavy and widespread material damage." (March 22, 1951.)

30. In 1948 at the United Nations, the emphasis in discussions of the Arab refugee problem was on repatriation. Even at that time, however, the UN qualified its declarations on repatriation by limiting return to those who were prepared to live in peace in the State of Israel. The continuation of the Arab war negated the possibility of peaceful repatriation and today there is little doubt that the majority opinion at the United Nations favors resettlement as the primary solution. Statements of leading United Nations delegates at the fifth session of the General Assembly reflected this view. (Some excerpts may be found in appendix D.)

57. Fortunately, in the interests of the refugees and the restoration of peace to the region, the Arab States have indicated a reversal of their position within recent months. Following the last meeting of the Arab League, it was reported that they were prepared to cooperate with the United Nations in the reintegration program. This is a step forward and there is now the promise of a final solution.

APPENDIX A

ISRAEL'S JERUSALEM PROPOSAL

The main features of the Israel plan for Jerusalem, submitted to the United Nations Trusteeship Council in May 1950, are as follows:

"(a) A statute should be adopted whereby the rights of the United Nations in respect to the holy places in Jerusalem would be derived directly from the General Assembly and accepted by all parties concerned. The authority of the United Nations in the holy places would thus take statutory form and not depend upon a contractual agreement.

"(b) There should be appointed a United Nations representative or such other organ as may be found appropriate, for the discharge on behalf of the United Nations of the functions prescribed regarding the holy places in Jerusalem. This representative or organ should constitute an independent authority deriving its powers solely and exclusively from the General Assembly itself and exercising those functions in the international right without dependence on any individual government or accreditation thereto.

"(c) The United Nations representative thus appointed (or the United Nations organ thus set up) should carry out the following main functions in respect of the holy places in Jerusalem: viz, supervision of their protection; adjudication of disputes between communities as to their rights in the holy places; the maintenance of existing rights in connection with the holy places; the initiation of their repairs; assurance of their exemption from taxation; questions relating to the maintenance of free access subject to the requirements of public order; facilitation of pilgrimage movements; issuing of reports to the appropriate United Nations organs on all the above matters.

"(d) The definition of holy places as laid down and applied up to the termination of the mandate shall continue to prevail (Cf. UN Map No. 220, November 1949). All governments and parties concerned should negotiate on the definition and demarcation of these places in order to achieve agreement on the exact sites within which the above-mentioned functions of the United Nations representative shall operate.

"(c) Apart from their statutory sphere of authority concerning the holy places in Jerusalem, the United Nations representative or organ could negotiate agreements with both governments concerned, in conformity with the resolutions of the General Assembly, for the protection of holy places located outside the city of Jerusalem. The United Nations representative or organ could also negotiate, if required, on behalf of any church organization submitting views or claims with respect to religious buildings, institutions or property."

APPENDIX B

The following is a photostat of an official British Police report on the flight of the Arab refugees.

THE ARAB EXODUS

10/PS.

District Police Headquarters,
(C. I. D.)
P. O. B. 700, Haifa
28th April, 1948.

SECRET

A/A. I. G., C. I. D.
Subject: General Situation—Haifa District.

The situation in Haifa remains unchanged. *Every effort is being made by the Jews to persuade the Arab populace to stay and carry on with their normal lives, to get their shops and businesses open and to be assured that their lives and interests will be safe.* On the other side the evacuation goes on and a large road convoy escorted by Military and containing a large percentage of Christians left Haifa for Beirut yesterday. An estimated number of 700 has been given for this convoy and evacuation by sea goes on steadily.

10/PS.

District Police Headquarters,
(C. I. D.)
P. O. B. 700
Haifa.
28th April, 1948

SECRET

A/A. I. G., C. I. D.
Subject: General Situation—Haifa District.

There is no change in the situation in Haifa. The Jews are *still making every effort to persuade the Arab populace to remain and settle back into their normal lives in the town.* Another convoy left Tيره for Transjordan and the evacuation by sea continues. The quays and harbour are still crowded with refugees and their household effects, all waiting an opportunity to get a place on one of the boats leaving Haifa. Some families have lived and slept on the quaysides for several days waiting a chance to get away. Life in the New Business Centre has returned to normal with all shops and businesses functioning.

The steam trawler "TADORME" renamed the Haganah ship "OPERATION CASTLE" was brought into Haifa harbour at 5.30 a. m. with a total of 559 persons on board made up of 332 males, 182 females and 45 children. The illegals were transferred in the usual manner to the Empire Comfort and the Empire Rest. During the transhipment the illegals twice refused to move from their ship and had to be got on the move again by naval and marine personnel. The transhipment was completed at 11.15 a. m. and the illegals left for Cyprus.

(Sgd.) A. J. Bidmead.
for SUPERINTENDENT OF POLICE

APPENDIX C

THE ARAB LEAGUE AND THE PALESTINE REFUGEES

My Habib Issa

(This article was translated from the Arabic original in Al-Hoda of June 8, 1951. Al-Hoda is the chief daily newspaper of the Lebanese emigrant community in the United States. Mr. Issa is the acting editor of the paper.)

As soon as the British had publicly announced the time for their relinquishment of the mandate and their withdrawal from Palestine, the Arab League

began holding meetings and calling conferences, and its general secretary, Abdul-Rahman Azzam Pasha, published numerous reports and declarations in which he assured the Arab peoples and all others that the occupation of Palestine and of Tel Aviv (the virtual Jewish capital) would be as simple as a military promenade for the Arab Armies. Azzam Pasha's statement pointed out that armies were already on the frontiers and that all the millions that the Jews had spent on land and on economic development would surely be easy booty for the Arabs, since it would be a simple matter to throw the Jews to the bottom of the Mediterranean Sea.

As the time for the British withdrawal grew nearer, the zeal of the Arab League was redoubled. Meetings and conferences took place almost daily and burning calls and appeals were issued. Brotherly advice was given to the Arabs of Palestine, urging them to leave their land, homes, and property and go to stay temporarily in neighboring, brotherly states, lest the guns of the invading Arab Armies mow them down.

The Palestinian Arabs had no choice but to obey the advice of the League and to believe what Azzam Pasha and other responsible men in the League told them—that their withdrawal from their lands and their country was only temporary and would end in a few days with the successful termination of the Arab punishment action against Israel.

But victory was not to be the result of this punishment action. Victory is not produced by speeches, reports, and declarations. Victory is produced by cannons, airplanes, and tanks. The threats of the Arab League evaporated in the face of the preparedness, good command, and superior generalship of the Zionist gangs. We saw the military promenade become a crushing catastrophe that shattered the prestige of the League and its member states and exposed their inner weakness and deterioration.

Azzam Pasha and the other responsible Arab leaders now try to excuse the defeat of the Arabs on the ground that their forces were inadequately armed, organized, and trained. In the light of this, we should like to ask Azzam Pasha and his colleagues a simple question: "If the Arab Armies lacked sufficient arms, organization, and training, why did you throw them into a savage war against an enemy who had everything that modern wars require—equipment, good training, unity of command, expert officers who knew the art of war and who had participated in two world wars? And why did you jeopardize the lives of a million Palestine Arabs and make them wander from their homes? Since, as you say, the Arab Armies were not adequately prepared for victory, did not the flight of the Arabs, urged by you amount to the facilitation of the Zionist victory?"

APPENDIX D

RESETTLEMENT OF ARAB REFUGEES

The following are excerpts from statements by United Nations representatives with regard to the resettlement of Arab refugees.

Mr. MOLINRY (Australia): "He * * * felt that while the return of the refugees to Palestine was desirable from every point of view, it was very possible that in many cases such a return would not be wholly in the interests of the refugees themselves. It might perhaps be better if the refugees were compensated for the losses they had suffered and were permitted to settle in neighboring Arab countries * * * he expressed his satisfaction at the statement by the Israeli representative that his government was prepared to admit liability to pay compensation as proposed." (UN document A/AC.88/SR.64—November 30, 1950).

Lord MacDonald (United Kingdom): "The United Kingdom had, however, given serious consideration to the Commission's statement that, having in mind the best interests of the refugees, attention should in future be given to the resettlement of nonreturning refugees in the Arab countries, with payment of compensation to them. It was doubtful whether it was in the interest of the refugees themselves to return en masse. It was questionable whether the refugees fully appreciated the conditions to which they would return and the implications of their return. Were they aware that they must be prepared to live as peaceful citizens of Israel, accepting all the obligations of citizenship? There was a grave danger that the legacy of mistrust and bitterness would

make the task of mutual adjustment of populations extremely difficult. Moreover, it was probable that the Arabs of Palestine would have great difficulty in adjusting to the very highly organized economic structure of Israel, which ran counter to the economic outlook of the Arabs. It was unlikely that an Arab would wholeheartedly accept the regime of austerity, directly toward the achievement of goals for which at the best he had no enthusiasm and which might well arouse his active resentment. In the circumstances, it was the considered view of the United Kingdom delegation that the Arab refugees would have a happier and more stable future if the bulk of them were resettled in the Arab countries. A corollary was that nonreturning refugees should as a matter of right receive early and adequate compensation for the property they had abandoned in Israel.

* * * The United Kingdom delegation had noted with interest the constructive suggestion of the representative of Israel that compensation should be paid into the reintegration fund. It hoped that any funds paid in compensation would be devoted to the reintegration of refugees, but felt that the precise procedure should be considered by the Committee of Experts." (A/AC.38/SR.61—November 29, 1950).

Mr. Ross (United States): " * * * The United States delegation hoped that all the members of the United Nations in general, and in particular the states of the Near East, who were very specially concerned with the welfare of the refugees, would approve the spirit of the report. * * * Mr. Ross hoped that all the near eastern governments concerned would give prompt and determined consideration to definite proposals for reintegration. * * * For the reasons stated earlier, the United States delegation considered that the United Nations in general and the states directly concerned in particular, should realize that direct assistance to refugees could not continue forever. Accordingly, a constructive program had to be adopted which would enable refugees to become an economic asset for the Near East countries" (A/AC.38/SR.35—November 7, 1950).

Mr. Ross (United States): " * * * His delegation had welcomed the statement of the Israel Government's intention to contribute to the reintegration fund established under the resolution" (A/AC.38/SR.62—November 29, 1950).

Mr. Naudy (France): " * * * The French delegation welcomed the position of Israel in the matter of compensation" (A/AC.38/SR.63—November 30, 1950).

Mr. Lapointe (Canada): " * * * His delegation hoped that refugees would be told that their future would perhaps be more promising if they agreed to permanent settlement in Arab countries" (A/AC.38/SR.35—November 7, 1950).

THE MUTUAL SECURITY PROGRAM

TUESDAY, JULY 31, 1951

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the House Foreign Affairs Committee room, the Capitol, at 10 a. m., Hon. James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

Ladies and gentlemen, we are privileged to have with us today a great soldier, Lt. Gen. Alfred M. Gruenther, Chief of Staff, Supreme Headquarters Allied Powers, Europe.

General Gruenther will be our last witness, I think. Anyway, that is the way it is planned, and it is planned that way because we wanted to have a witness here who was in a high position in the military field, and one who has already demonstrated to the committees of this Congress his thorough knowledge of the problems with which we are confronted.

STATEMENT OF LT. GEN. ALFRED M. GRUENTHER, CHIEF OF STAFF, SUPREME HEADQUARTERS, ALLIED POWERS, EUROPE

General GRUENTHER. If it is agreeable to you, Mr. Chairman, I shall not submit any prepared statement. Instead, I would like to discuss the problem we face in Europe today as we see it from our vantage point in Europe. If it is in accordance with the rules of your committee, I would welcome questions from you gentlemen here at any time.

I would like to give you first our views on some of the practical factors related to the accomplishment of our general mission in Europe.

As you know, General Eisenhower's headquarters recently moved to a new location about 10 miles outside of Paris. Some of you gentlemen were over there a month ago when we were still in the Astoria Hotel.

Mrs. BOLTON. Just where?

General GRUENTHER. Our new headquarters is just north of Versailles, at Rouencourt, Mrs. Bolton. The breezes are very fine there. So fine in fact that there is not a single fan in our new building. However, Paris weather selected the day we moved to have one of its rare hot spells. As some of you recall, while the congressional party was there, we had nothing but cold; but, as I said the day we moved in was really hot. We are trying to set an example of austerity, so it was well to have a little of our own medicine in respect to a lack of air-conditioning.

I am going to outline what the intelligence situation is, as we see it.
(Discussion off the record.)

Mr. VORYS. You have told us of the ground movements. There would be air activities that would go on, including the use of the A-bomb in your emergency plan, would there not?

General GRUENTHER. Yes. I have been discussing this from a ground viewpoint, and the situation with respect to the air is such that I am glad you interrupted me at this point so I can make it clear that in all of our planning air power is the dominant factor.

It is the skillful use of this air power that we envisage as being the extremely important factor in warfare.

(Discussion off the record.)

General GRUENTHER. There is in Europe a population of 175,000,000 and we have facing us a very backward enemy from the standpoint of culture, and so forth. Our belief is if we can get the 175,000,000 Europeans going, not to mention the productive capacity of the United States, there is practically nothing we cannot do.

So General Eisenhower considers his job largely one of building morale. He visualizes at this stage that the leadership of the United States furnishes that lift necessary to raise the morale of Europe. Having United States participation in the defense of Europe, particularly with ground troops and air troops stationed there, is a factor which he believes is going to assist tremendously in raising that morale. It is one of the reasons why he is there.

In our planning we are looking ahead to the time when we can have what we refer to as a forward strategy, a strategy which is going to hold as far as to the east as possible. That is what we are working on now.

The question is, What is it going to require? It is obvious it is going to require more in ground troops and more in air forces than we have now. That is where we come up with what we refer to as a requirements plan—what it will take to do the job.

We have worked out figures, which are tentative only—

Mr. VORYS. What is the yellow line?

General GRUENTHER. It is simply the boundary between the British zone and the American zone. There are three zones in Western Germany, a British zone, an American zone in the center—I should say American-French zone in the center—and a combination French-American zone in the south here.

You see here what the requirements are on this chart; we have also listed the development that has taken place in Europe.

(Discussion off the record.)

General GRUENTHER. We firmly believe if we get a posture of defense of anything like this order of magnitude, the war is never going to come because it is going to be so expensive for an enemy to undertake an aggressive act of that kind, regardless of the surprise advantage. Of course, he is always going to have the advantage of surprise and all he has to do is make up his mind some night to attack. Still, if we have our airfields located properly—these troops will be on the alert all the time—it is going to be a tough proposition for the enemy.

(Discussion off the record.)

Mr. REECE. Will you mind discussing the air power somewhat more in detail? You are about the only one who has referred to it

at all in our entire testimony here. So far, the discussion has been on a scanty basis at the best.

(Discussion off the record.)

General GRUENTHER. We are trying in every possible way to build up air power to be able to neutralize that threat. Because one of the first things that would happen would be the battle for air supremacy.

At this time, today, the 31st of July, it would not be a very even battle. As we build up that air power it is going to be tougher and tougher for them. That is a very important part of our program.

Throughout this whole area now there is planned the building up of air fields.

In an organization like NATO there are many difficulties. For example, who pays for the airfields? There is a French term—"infrastructure"—which many of you may have heard, which includes these installations. Infrastructure also includes, in addition to airports, signal communications, depots, and so forth.

One of the big political problems—it is not one our headquarters is seized with, but Ambassador Spofford, United States Deputy to the North Atlantic Council, is working on it urgently, is how the infrastructure—these fields, these depots, these signal communications, etc.—is going to be financed.

It represents a tricky problem. Just take one item alone, signal communications. If you are going to have cables, and you must have them, you have a problem. Here is where General Norstad's headquarters is at Fontainebleau, close to the place I am pointing. He must be able to get instructions out to his air organizations here; radio is one way, cable communication another.

Suppose we build these cable communications in time of peace. They are being used by the PTT, the commercial concern. Who should pay for those? PTT is not interested in having them in. They have enough communications right now. It is that type of complicated problem that comes up. We are not in a position to solve that. Our job is to say, "We need this many fields. We need this kind of communications. We need this many depots." It is up to the government, the North Atlantic Treaty Council, to decide how they are to be handled.

Mr. CHIPPERFIELD. How are you coming along now, since the elections, with the air bases?

General GRUENTHER. As far as the French are concerned, Mr. Chipperfield, their attitude has shown some change. When you were there, Mr. Chipperfield, and you other gentlemen were there, the French were rather sensitive on the question of sovereignty because the Communists kept talking all the time of the American invasion and referring to the fields and adding fuel to that fire.

That has dispersed now. The French do not pay too much attention to the Communists on that score now.

But the question who pays for them is still a problem that is bothering the French Government. The French Government in its budget this year has 2,600 billion francs. The Government has thus far voted taxes for only 2,200 billion. So they have an immediate deficit of 400 billion, without considering anything like airfields. So they shy off a little bit on the financial question.

We keep pushing all the time and saying, "Gentlemen, these have to be built."

I raised this point only because of your question, Mr. Reece, to show that we are doing everything we can. Without the airfields we are not going to be able to use the air power.

If you could snap your finger and make these bases, we still would have other problems, such as making the planes and training the pilots. And training pilots requires a long time.

It is a problem to which General Norstad's headquarters, which is a subordinate headquarters of General Eisenhower's, is devoting its major time and effort.

Rest assured, we are thinking and concentrating and worrying all the time about the improvement in air power, because we feel that it is the major factor in preventing the war from starting. If it does start, however, it gives us a chance to fight it on a very favorable basis.

(Discussion off the record.)

General GRUENTHER. We recognize this: In trying to mastermind the Soviet philosophy there are many pitfalls. With 12 men in the Kremlin making the decisions, for anybody to stand up and say that he knows what they are going to do is, of course, a type of lunacy. We claim no ability to forecast that.

(Discussion off the record.)

General GRUENTHER. But there is nothing to do about it except get ready and to be able to cut down this great disparity in strength.

Mr. VOYA. General, there is one thing you have not mentioned. I wish you would say something about it. As I understand it, on ground fighting or any other fighting the offense has to have at the point of contact a tremendous overbalance of forces. Am I wrong about that?

General GRUENTHER. I think that is a very good point, and a very good additional answer to the point Mr. Chipersfield brought up.

There is one other point which is appropriate in that same connection. That is, the Soviet division is smaller than most of the divisions that are going to be facing them. The Soviet division runs about 12,000, generally speaking. The Allied divisions run from 15 to 18 thousand. Our American division, you know, is a little over 18,000. The British is about the same.

Mr. CHIPERSFIELD. Would carrier-based aircraft from the Navy be helpful?

General GRUENTHER. Yes. General Eisenhower's philosophy is that he will get a great deal of help out of naval-based carrier aircraft.

Mr. MERKOW. General, is there not considerable danger in this because the Soviets also know that the longer this goes on the less advantage they will have? In other words, we are going to be better prepared, and if they are going to strike they had better do it in the near future, it seems to me.

General GRUENTHER. That presents quite a dilemma for the Soviet high command. If the Soviet command were convinced we were going to attack, that is probably true. I believe, and I have had a fair amount of contact with these doctrinaire Communists, they feel pretty strongly that time is still on their side.

First, it is not on their side as it stands right now. They have committed a very gross error. In history, I think the fight in Korea is going down as one of their major errors, because it has started a chain of events which before it is finished, will have brought about the greatest aggregation of power against them the world has ever seen.

There are some possible pitfalls between now and the time when we will arrive at that condition. If the allies fall out, and a coalition of this type is certainly a very delicate business to handle, and if the rearmament in the western countries brings about economic distress, the Soviets will have had a considerable degree of comfort.

(Discussion off the record.)

General GRUENTHER. Take, for instance, a Communist official I knew in Vienna. His belief in the excellence of the Soviet system, and particularly the Soviet economic system, was such that there is no question but what he believes firmly in communism and in the eventual deterioration of capitalism. The world could not continue, as far as he is concerned, with that, any more than with mercantilism, slave ownership, and feudalism. They have all gone into the limbo of obsolescence according to him. And as far as he is concerned, capitalism is going the same way and it is just a question of time. He had no particular animosity toward the United States, except that the United States has an awful system. As time went on, he felt the United States would recognize the validity of the Soviet system. A man like that in power has to take some very big chances to start a war now. He is an extremely high-ranking man, a colonel general, who is right next to an army general, and then comes the marshals of the Soviet Union.

Whether his associates believe the same thing or not, the responsibility of unleashing a war for which they cannot logically foresee a successful conclusion gives them a great deal to think about.

However, you can get into a long argument as to whether time is on our side, or whether time is on the side of the Soviet Union.

My own conviction, and I am absolutely positive of it in my own mind, is that time is on our side if we can make the proper use of it. If we go down and are not able to continue with the degree of resoluteness that is required, and cannot see through a coalition of this type, and I can assure you that the frustrations are many in connection with it, then the Soviets may be right.

I think they have a difficult problem in trying to resolve this perplexing dilemma which faces them now.

Mr. JUDD. General Marshall, on the other side of the Capitol, said that for 6 divisions or about 108,000 combat forces, we had to have 232,000 men in supporting units, artillery, antiaircraft, and all the other things.

When you are talking about the total armed forces in Europe is that in the sense that General Marshall was talking about?

General GRUENTHER. I am talking, Dr. Judd, in divisions. I am not sure what General Marshall was talking about. So I will not answer that I am talking about in the sense that General Marshall was talking about. We are talking about divisions that are properly supported.

Generally speaking, this is a general rule that the American Army has been following. European armies do not follow that completely. On account of our base of supplies, and of course we will supply our own American troops, we will have a long supply line.

Considering the fact that there will be a great deal of air power over there to protect with antiaircraft and so forth, it is estimated it will run on an average of between 40,000 and 45,000 men for a division.

It means, therefore, if you have a division of 18,000 men, there is something over 22,000 men in support of a division. There is no fixed rule on that, because certainly there is no relationship between the amount of antiaircraft that you need to protect a major port and the divisions that are up ahead on the line. That is about an average.

Now then, your question, are the European divisions based on that kind of calculation; in other words, are we going to base X times 40 for those supporting. That is one of the problems we have to face.

(Discussion off the record.)

General GRUENTHER. We do not think in the case of the Dutch for instance that it is necessary to have the same number of auxiliary troops as we have for a United States division. However, it is going to be some figure, Dr. Judd, in addition to the division.

The Soviets, since you have brought the question up, probably operate on a more austere system than do the Western Powers.

(Discussion off the record.)

General GRUENTHER. The Soviets have a smaller slice tied to their lower standard of living. They take less care of their troops, they recruit and take on local civilian labor without any reference to the situation; the gun is the persuasive power they use.

Mr. VORRA. General, before you get to that, a British officer told me that they thought one reason why the Soviets did not move was that they did not have an administrative set-up for all Western Europe. Is that a factor at all?

General GRUENTHER. I suppose it would be a factor and they certainly would have their pains if they moved in and did not have an administrative set-up. However, in the last war they seemed to survive that lack pretty well. They, as you know, were thrust back, and I think we have to realize this. If you realize what happened to the Soviets from June 1941 until December 1941 you would see that the Soviets lost 5 million men in killed, captured, and wounded. They were people they had no control over. They were gone—finis. That is not to mention untold quantities of ammunition, equipment, and so forth, and not to mention all of this administrative personnel.

Still, they held the lines at Moscow, and within a matter of months started an advance which carried them right on through to Berlin.

Now, they did not have an elaborate organization. They did it by ruthlessness and disregard for human life. They have a very definite theory that the individual exists for the benefit of the state. A friend of mine will argue for hours on the thesis of the dignity of man versus the dignity of state. That is their whole philosophy.

So as to the administrative part of being able to control hostile populations, they have a system that is rather convincing in a way. It did not bother them too much, because if they got any sniping, and they did get plenty, they just exterminated whole groups of people.

So I would say while that is probably a factor as to why they do not go to war now, it is probably not the deciding one.

You recall in 1946 Stalin made this pronouncement to his people. He said:

In order for the Soviet Union to be protected from all possible accidents we should have a steel production of 60,000,000 tons a year; an oil production of 60,000,000 tons a year; and a coal production of 500,000,000 tons a year.

Whether he was giving a blueprint or not it is difficult to say, but what are the facts? What do they have now? They have a steel

production of less than half of that, or about 28,000,000 tons a year; they have an oil production of a little over half, somewhere about 40,000,000 tons; and a coal production of a little bit over half, or about 265,000,000 tons.

So, in trying to reason out why they are not attacking, I think more than this administrative set-up that you are talking about. You would find it in the field of industrial potential and ability to fight a long war and ability to take care of the colossus, namely, the United States, which is a very significant factor that they cannot overlook.

From our standpoint what we are doing to this military aid program adds up as follows: The programs which have been passed by the Congress up to date will provide for the major items of equipment for a certain number of divisions. The program which is proposed before your committee now and before the Congress would complete these divisions and provide the major items of equipment for almost an equal number of additional divisions.

Then, it would provide partial equipment for several more divisions.

If you look at what we are shooting toward, we are really aiming toward having available enough equipped divisions to stop a major attack. The countries have the manpower, although they do not necessarily have the money to pay for all of this now. They will have the manpower and structure by the end of this year, for about 50 percent of what they need, of which at least half and maybe even more, are very grossly underequipped now.

So, recognizing this threat that faces us, we are very eager to see this program proceed as rapidly as possible. In fact, if the economy could stand it and the production could stand it we would prefer to see it for a larger number than this.

When the suggestion is made it would be well to spread it over a period of time our philosophy is that we think it is extremely dangerous and extremely inadvisable to spread it over a longer period of time than it is spread over now.

General Eisenhower's basic philosophy is this: The problem is such an urgent one in terms of United States security and the question of being able to narrow this gap in the disparity of power between the east and the west is such a very, very important one from the standpoint of raising morale, that the United States should be filled with impatience to get the job over, so that we are not committed to this thing forever and so that we are able to bring these people up to a degree where they can defend themselves. His thesis is that over the long term Europe must be able to defend itself; that this is a matter of heart and brains, and that you cannot import these qualities. Because these people have been overrun and because of the vicissitudes of economic dislocation they have had terrific psychological setbacks that you know so well. He feels that we in the United States must exercise our leadership at this very, very important time, and that, without regard to any particular fixed amount, we should get them equipped as rapidly as they can take it on.

His very strong belief, therefore, is that if this is a considered program from the standpoint of production, which is a point that other witnesses have undoubtedly testified on, that it should go forward and should not be prolonged. If anything, if there is any way to expedite it, it should be expedited.

Mr. HERTER. May I ask there, are you referring specifically to the suggestion made in the Senate that this be spread over a 2-year period?

General GRUENTHER. For any period. I am referring to this, Mr. Herter: Of course, we are not able to keep in touch with all that is going on here, but we hear, from time to time, suggestions that it be spread over a longer period, or that a certain number of billions of dollars be cut off. Of course, as to that longer period, if you do it over a 2-year period it has the effect really of reducing divisions and air squadrons by a very significant number, say, between 12 and 15 in the case of divisions. That is a reduction we can ill afford at this time.

The general feels that the European countries have had a considerable increase in morale in the last year, and that the curve is very definitely upward. A terrific amount still remains to be done. There is a question as to how some of it is going to be done, because considering the small reserve that they have—and I am sure other witnesses have testified to that—there are many great problems still to be resolved.

However, his belief is that it is our job, and not simply because of any debt to civilization, but because of enlightened self-interest. He stated repeatedly and has told you gentlemen who were over there that he is viewing this as a matter of the security of the United States, and it is not a question of any philanthropic process of defending somebody else. It is from the standpoint of sheer enlightened self-interest, and that it is to our very great interest to speed this up as much as possible.

(Discussion off the record.)

Mr. VORYS. On this spreading it over business, not only is it going to be spread over in that there is today a shockingly small amount of what we have already appropriated for that is already there for you, but the program of deliveries will spread it out to beat the band. I am just looking here at Mr. Lovett's public statement before the Appropriations Committee, and he said:

The lead time on our major required items is fairly stable. It takes 18 months in order to deliver.

So that this is going to be spread over an awfully long time even the way it is going up to date.

General GRUENTHER. It is our understanding, Mr. Vorys—and I am only repeating what we have been told on this—that this program that is under consideration now will be substantially delivered in a relatively short time. Whether that will cover all of the long lead-time-items I do not know, but in our checking into it and in our pushing for it that is what we have been told. It is our understanding that the 1950 program is now over 50 to 60 percent delivered; that delivery of the 1951 program will be completed by next July, that is, a year from now; and that this program under consideration now would be substantially completed not too long thereafter.

I will not say that those figures are correct, but that is what we have been told and that is what we have been pushing for.

We believe in a year or a year and a half we would have a very significant hurdle for the Soviets to overcome. It does not win the war if the war comes. It may not even prevent it at that time, but it is going to cause them to think twice, or maybe three times, before they start it, especially if we can get air power in there.

Chairman RICHARDS. Mr. Chipperfield.

Mr. CHIPPERFIELD. General, last week in the papers there was a statement about one army, one uniform, and one flag. What was meant by that statement, and who made it?

General GRUENTHER. I do not know who made it, but what is undoubtedly referred to is the European army.

Mr. CHIPPERFIELD. Would we be included in that?

General GRUENTHER. No, sir. The name we have suggested for it is the European defense forces, because again there is psychology in it. People understand a division, and there is a tendency always to refer to power in terms of divisions. It is a standard that many understand popularly. They have called it the European army concept. We believe it should be called the European defense forces.

The idea is, Mr. Chipperfield, is this: This problem of closing this gap or of getting these forces we have shown here—and this does not get them by any means—brings in the question of the Germans and how do you get the Germans into this sort of thing?

It has been estimated—and the Germans and the French have done this—that if they will have an allegiance to a union instead of a national allegiance, that this fear and this antipathy between these two countries, France and Germany, would be alleviated, so that you can use this German manpower. That is why these conferences have been taking place.

General Eisenhower supports the idea of this and while our headquarters has not been in this all along, we are going to be in it from now on.

However, with respect to the question you are talking about of one flag and one uniform, it is a European idea, and this is for the use of European forces. So, if this situation developed—and it is going to require some great leadership and imagination to develop it because there are many complications in it—you might have United States forces and maybe British forces and European forces. The European forces might all be in one uniform.

Certainly the symbol of having them in one uniform under one flag is very fine. General Eisenhower firmly believes that many of the problems of the integration of Europe and raising the morale of Europe and perfecting the defense of Europe would disappear if customs and boundaries disappeared.

The European defense forces are in furtherance of this concept.

Mr. CHIPPERFIELD. We would be fighting under no flag but our own?

General GRUENTHER. That is right.

Mr. JUD. We hammered away at the necessity for unity of the European forces in this room 2 years ago. Finally we wrote into the legislation and the committee report language to deal with it, because one of the greatest handicaps to getting across the whole military-aid program was the problem of divided forces under separate commands.

We said, or some of us did at that time, that there was no sense in starting on this at all unless we were reasonably sure that if war broke out there would not be half a dozen different armies going in different directions under separate commands. Instead there must be a unified command. Judge Kee himself came up with some phrase like "unification of direction" as one of the requirements that the committee was insisting on from the start of the program.

So it is not General Eisenhower's idea just now. It was insisted upon here more than anywhere else.

General GRUENTHER. Of course, you understand General Eisenhower does not make any claim to credit for any of the idea.

Mr. Judd. Or blame.

General GRUENTHER. Or blame either. He has recently been asked whether he would support it, and he has said he will support it.

Mrs. Bolton. That does not mean, however, that General Eisenhower said all troops are going to be under one flag, as has been publicized on this side of the water.

General GRUENTHER. I am not familiar with that quotation. He has not said that. As a matter of fact, General Eisenhower, on the question of uniforms, believes it is a technical point. They have had some committees of French, Germans, Belgians, and Italians conferring for the last 6 months. I happen to know what is in that report about uniforms, but I am sure General Eisenhower does not even know what they are saying about uniforms because we have never discussed it.

As to the question of United States troops—if that is the import of the question you asked—it has never even been mentioned.

What General Eisenhower does feel—and the Schuman plan is an illustration of this—is this: He feels that the more the United States can back a project of this sort from the standpoint of helping to resolve very complicated problems, the more sure it is to go over. The Schuman plan had no chance of adoption unless the United States supported it.

Mrs. Bolton. That is part of the United Europe idea, is it not?

General GRUENTHER. Of course. That is the United Europe idea, which he is for, but he is not the only man who is for it.

Mr. Reece. If the general is not advised, in fairness to him, I think it might be said that one of the Senators quoted General Eisenhower, after the return of the senatorial party, as stating that he was in favor of one army, one flag, and one uniform. I do not know in what words he was quoted, but that was the substance of his statement.

General GRUENTHER. If he said that, Mr. Reece, he was thinking of it in terms of the Europeans, because that would be in character with his belief for the Europeans. The more the Europeans can get united, the better.

Mrs. Bolton. And anything else would be out of character with the man.

General GRUENTHER. Oh, yes. He would never say that. I am sure it is just a misunderstanding. I have not seen the quotation.

Mr. Fulton. May I ask if this could not be done? The people who have been up here to brief us on this program have had one figure in mind, and that has been the \$8,500,000,000 figure. As these alternatives are shaping up I believe rather than just casually answering them that it would be well for the services to provide a program on each one to show the variations and to show what the defects are from the one that is the best program.

For example, there is going to be a billion-dollar cut put in. There is in addition going to be one of \$2,500,000,000 or \$3,000,000,000. So that would be other alternatives.

The other plan is the Taft-Smith plan of extending the program over 2 years and, in the alternative of that, a 50-percent cut for the year in funds.

One would be to extend the program over 2 years and let you do your own ordering and talking care of your own lead time.

I think on about four of those major issues which are now in the public mind that it would be well to have you people meet them specifically. I have asked that that be done because otherwise we hear indirectly of what somebody said to Senator Lodge, or maybe we hear casually that it will cost us divisions or cost us air wings, but it has to be gotten up just as the \$8,500,000,000 figure is gotten up, showing what it really does to our programming or commitments on your lead time and on your heavy equipment; what troops would be ready in Europe that you would not have the equipment for, and so forth. I think if it could be done that way it would get us off this hook, where we in the committee are briefed thoroughly on one program of \$8,500,000,000, but when we get off that as military alternatives, we just founder.

General GRUENTHER. In answer to that, Mr. Chairman, I am sure that the Defense Department here would attempt to get you any programs that are required. Since you are referring to us, of course, we do not prepare the programs over there. We are an international headquarters, Mr. Fulton, and General Eisenhower is in command of this force.

We have gotten up the military requirements. We have not converted them into money, nor are we aware of the various alternatives. I am sure, though, there is talent available in this city that could work those up.

Mr. FULTON. General Eisenhower, however, answered this 2-year-spread theory.

General GRUENTHER. Yes. We could answer the 2-year-spread theory pretty well, and we would have comments on any one. Let us say you mentioned one, that there would be a cut of a billion dollars.

Mr. FULTON. That is the Douglas amendment.

General GRUENTHER. Yes. If the cut of a billion dollars came out of the military side then we would be able to indicate what the effect would be on the program. If you had a spread over 2 years we certainly are able to make a reference to that.

Mr. FULTON. Then there was one that had to be denied in our committee hearings, that our committee members were supposed to be for, and I do not think that was the case. That was a \$3 billion cut. That has been variously estimated at a \$3 billion cut and a \$2.5 billion cut. These cuts that have been mentioned so far have been indicated as across-the-board proportionate cuts.

General GRUENTHER. Yes. Of course, you get into this kind of a question. If a cut comes you will have to reevaluate the whole program, because if you start off on one assumption where you might have started, let us say, to equip partially 10 divisions, then you might say it is not advisable to equip those 10 divisions because they would be virtually broomstick divisions. I do not say that would be the case because I do not know what the effect of a billion dollars would be on it. I do not have those figures, but there are people in Washington who are doing that pretty well all the time, and who have that type of information.

So, if the committee desires it, Mr. Chairman, I think you can get that information. I am not able to help you actually. I cannot answer that question.

Mr. HERTER. Can I ask you a converse question to the one he asked? We have so much coming off our production lines at the present time and so much is projected for the next few years with the money that is being made available, or that is made available. In connection with some of these end items, such as tanks, planes, and so on, if our military people in this country decided that they could spare more for you in dollar equivalent than there is in these appropriations today, from what is coming off our production lines, would you have the manpower available to take advantage of that at the other end?

In other words, if you were given flexibility on the top side, could you take advantage of that?

General GRUENTHER. Yes, sir; if we knew it far enough ahead of time. What we have to do, of course, is involved in the question of calling up additional divisions and making a program. We have to be able to present that to the governments in advance.

Mr. HERTER. What is your lead time, then, as against the 18-month lead time?

General GRUENTHER. It depends on budgetary programs and fiscal years, which run differently for different countries. For example, for the French, if we were going to try to push the French into an expedited program we should be getting it in to them pretty soon. They practically close their budget come September for consideration by the Assembly shortly after the first of the year.

Of course, their budgetary period is in a turmoil right at the moment because they do not have a government. Whether they will be able to meet that schedule or not I do not know. So I cannot give a categorical answer on the lead time, but if there is a lead time we have to meet it.

Mr. HERTER. You can speed up your operation, though?

General GRUENTHER. Yes, sir.

Mr. HERTER. The reason I asked that is this: You have enough experience in the Pentagon to know many times the programing is changed from the point of view of priorities.

General GRUENTHER. Yes.

Mr. HERTER. A cease fire in Korea might change it considerably, for example. There might be changes in appropriations heretofore made, and considerably more might be released from this side to help you with your problem in the domestic situation and in Indochina, or wherever it might be.

I think it is important to know if more could be released to you from the point of view of firming up your whole position, if you could take advantage of it?

General GRUENTHER. Yes. My general impression is we could. As a matter of principle, Mr. Herter, we believe it would be to the United States interests to be able to do that, because it is surprising how much moral effect equipping a division has.

Take Italy, for instance. I do not know whether you went down there, Mr. Herter, or not, but you got a very fine impression, those of you who went down there, from the Italians.

Just a week ago today General Marras came into my office.

(Discussion off the record.)

General GRUENTHER. He had some questions on priorities of equipment for Italy.

Of course, why the priorities went the way they did I did not have a chance to check up on, but just to have been able to take on an increased delivery in terms of certain equipment for those Italian troops would have helped out a great deal.

General Eisenhower went into an infantry outfit here and he found three different types of machine guns in that one place. They were not kicking about it. They were quite willing to have them and utilize them, but they should have all one type.

Mr. HERTER. One more question along that line. Again, from your experience in the Pentagon Building—

General GRUENTHER. I should not think you would keep on reminding me of that.

Mr. HERTER. Assuming that the Department of Defense has so much available in the way of equipment for all purposes, it then sets up its line of priorities as to where that must go. If it had a free hand to equip you within the limits of what it felt was prudent, from its total production, it could give you advance notice as to what it thought it could let you have. Would that not be a much better measure of what you were trying to do than a pure dollar measure that you are held down to year by year?

General GRUENTHER. Yes. As far as we are concerned, the dollar does not mean very much to us. I do not want to say we are disregarding the dollar, but I mean we cannot convert from dollars into items.

Mr. HERTER. Those things you are interested in.

General GRUENTHER. Yes; those things we are interested in.

Mr. HERTER. But again, if you put on a different hat and were sitting in the Pentagon Building today, you would not release a single thing, no matter how many dollars were appropriated, if you thought they were needed for our own defense here in the United States, or for priority overseas?

General GRUENTHER. Yes. I am not so sure about the last one. If understood the question it was this: If I were sitting in the Pentagon with another hat on I would not release a thing.

Mr. HERTER. Unless it were in our national defense interests to do it.

General GRUENTHER. Yes. I would agree with that.

Mr. HERTER. In other words, you would establish there priorities which were in our own national defense interests in sending equipment abroad?

General GRUENTHER. Yes. But as a matter of policy if I were sitting where that hat is, as you know, I would have as a liberal policy the question of determining what is best for the purpose you mentioned, of our own national interests.

Mr. HERTER. Our own national interests?

General GRUENTHER. Yes. Because I am firmly of the opinion—and having been over there I am convinced it is the right thing that the surest way to get these people so that they can defend themselves is to put them on their feet, and the faster we can do that, the better it is for our own interests.

Mr. HERTER. For our own defense interests?

General GRUENTHER. Yes, sir.

(Discussion off the record.)

Chairman RICHARDS. General, you mentioned a thing that worried me a long time ago. You mentioned the fact of this Italian general

coming and seeing that another army had so-and-so, and you mentioned that you do not know why that was. Why should not General Eisenhower have the final say-so on that?

General GRUENTHER. He would, sir. This was something that was started long before we got over there. We are into that fairly well now. On a thing like that we will have quite a bit to say, as a matter of policy.

I should explain just a little bit on that. From the standpoint of staffing, we are trying to run his headquarters on an extremely austere basis. We have, as of the day I left, 230 officers in the headquarters. That is for everything. To monitor this type of operation you are talking about would take a large number of officers. Actually, we have five. They can only handle policy matters, and when they get a complaint like this, they can only pass it on to somebody else to get an answer on it. That is the way we do it.

We are seeing, though, where these difficulties come up, that before any decision is taken, they are referred to our headquarters, that is, the American side of our headquarters, which is just five officers.

Chairman RICHARDS. That is just consultative, is it not?

General GRUENTHER. Yes, sir. There is no question about their going around us. They will ask for just as much advice as we are able to give. Our liaison with General Kibler, who is working for the United States Chiefs of Staff in London on this very problem, is such that he always refers that kind of subject to us.

Chairman RICHARDS. Suppose the Belgian group was not doing what they should?

(Discussion off the record.)

Chairman RICHARDS. Can General Eisenhower say, "You have to do this, or you do not get so-and-so"?

General GRUENTHER. That is right.

(Discussion off the record.)

Chairman RICHARDS. And you cannot operate as things are now to make decisions like that?

General GRUENTHER. Oh, yes, sir. General Eisenhower's recommendation in a matter like that is a pretty firm matter.

Mr. FULTON. Why is he so far down on the personnel chart in this NATO business? That has worried us on the committee here. I agree with the inference of the chairman that it takes him down almost out of the policy-making group.

General GRUENTHER. Of course, that is true. This is a little complicated. He is down here. There is no question about it. He was put there to command the troops in Europe. There was at least one very distinguished American who came and advocated this: He said, "It is foolishness to have Eisenhower here. He should be up here as the executive chairman for this group."

Mr. FULTON. The quarterback.

General GRUENTHER. That was his thesis. Of course, that is inverting the pyramid quite a bit too. However, this gentleman believes that very strongly. In fact, I am inclined to believe he appeared before your committee. If not, he appeared before the Senate committee. That is one way of doing it.

Now, that is actually what happened. Even though he is on this chart down here, in practice you will find that these people are con-

ferring with him all the time. They do not know where he is on the chart and do not care particularly.

Mr. FULTON. May I comment on your chart? Theoretically, on a military basis he would have first to correlate and check with three other opposite numbers there, so that the four of them would then go through three steps to get up to where the final decision is made. They would then have to correlate on each side issue as they went, first correlating on the second level, and in four places on the third level, before they got to the Council.

General GRUENTHER. Of course, you are talking about correlating here. Was that the first correlation?

Mr. VORYS. Will the gentleman yield?

Mr. FULTON. Yes.

Mr. VORYS. You mean three steps sideways and four steps up.

Mr. FULTON. That is correct.

General GRUENTHER. Of course, you understand in this business, if this were a cominform, the Soviets would have a little different chart than you do have there in a democracy. When this thing is working, you have the question of persuading and leading rather than merely ordering and telling.

Mr. FULTON. General, might I just comment on what Mr. Vorys said? On the first step up, John, he has two correlations to make sideways, and on the second step up he has three correlations to make sideways.

Mr. REECE. Will the gentleman yield?

Mr. FULTON. Yes.

Mr. REECE. But under the chart of command here in the United States the commanding general would be down at least three steps.

General GRUENTHER. Yes, and there is a little question involved here, and a little principle involved which you gentlemen would be the first to warn about. You are not going to have the military run this country, and the military do not want to do it. So I do not know, and I am not so sure what Mr. Fulton's suggestion is, but I recall that this man whom I mentioned would have him up there, and the ministers would be coming around and bowing to him and asking for permission to speak.

Mr. FULTON. I compliment you in a way. I think the people of the United States want you and General Eisenhower to be pretty much running the show over there, and in where the major decisions are made, and they want you to be initiating and implementing it. We have confidence in you and we are lucky to have you there, and we do not want you clear down here and outside of it like this.

Mr. HOLIFIELD. The very fact that you are placed where you are, as far as the chart is concerned, is that not of a great psychological advantage as far as the people of Europe are concerned, that is, putting yourself in a position where you are not dominating the show ostensibly, even though you may be from an advisory standpoint?

General GRUENTHER. I think that is a very important point, Mr. Holifield. As many of you know, the question of United States domination is really a fairly sensitive point in many parts of Europe. One thing that has disturbed me is that United States motives have been so generally misunderstood. There are any number of people who are still very mistrustful of our motives from the standpoint of peace.

General Eisenhower has been hammering that he is for peace, peace. He is getting this point across, I would say, remarkably well. They trust him. They say, "Yes, he probably is." However, there are still a great many of them wondering about whether the United States is really for peace or not. A lot of them say, "Well, he is for peace. Yes, he is. But the United States is not."

That comes in very much on this point.

The good effect that he is having on the so-called common man of Europe is really very, very significant.

Mr. HOLIFIELD. In the last analysis, that is where the whole strength of the NATO movement will be. It will be on the convictions and morale of the ordinary man.

General GRUENTHER. That, I think, is very well stated.

Mr. HOLIFIELD. And we might hurt that morale quite a bit if we put ourselves ostensibly at the top and say, "Now, you boys do this," rather than saying, "Come on and let's do this."

Mr. FULTON. Will the gentleman yield?

Mr. HOLIFIELD. Yes.

Mr. FULTON. I am certain you are not trying to justify the crazy patchwork quilt of the NATO organization and the Council of Europe organization—

Mr. HOLIFIELD. No.

Mr. FULTON. And the organizations which act as a liaison between all of these countries and us and then between each of them. It is terrific if you try to diagram the thing up.

Mr. HOLIFIELD. Sometimes the diagram of a thing does not represent the real situation. I have found that out too. I am not justifying this diagram, but I am thinking through to the point we are trying to accomplish, and that is the encouragement of these people to go in with us on a mutual effort, an effort which we cannot direct them to go into, but which we must obtain their voluntary enthusiastic support.

Mr. JUDD. To show how little the people understand this diagram, when we were in Europe one of us asked the top brass, and the top civilian, what this army is generally called by the people. We asked, "Is it called the European army, or the army of Europe, or the NATO army?" They said, "It is called General Eisenhower's army." That is how the ordinary people in Europe think of it.

Mr. HOLIFIELD. Apparently he is at the top then?

Mr. JUDD. In the public psychology that certainly is the case.

General GRUENTHER. He has had a tremendous impact on them, and he has been very modest about it. He has created an atmosphere of cooperation. In our headquarters that has been one of the things we are after, to get these people who are working in the headquarters to feel that deep sense of conviction.

Mr. REECE. If I may revert to the chart with the red arrows, you expressed concern about getting the red arrows faded out?

General GRUENTHER. Yes, sir. We would like to have them a little bit shorter, at least, Mr. Reece.

Mr. REECE. Can they be materially faded until we get an effective air set-up which will give you an umbrella in Europe?

General GRUENTHER. No. I think that is correct, and that is certainly the thing we are emphasizing.

Mr. REECE. The thing that gives me some concern, following that up again, is that nearly all of the talk and discussion is about divisions, and relatively little about air power, which is essential.

You referred to the plan in certain areas. Can that be effective until we get a reasonable air supremacy?

General GRUENTHER. They can make a great contribution, Mr. Reece, but they are not going to be the whole thing.

I do not want to go into any platitudes that it is teamwork that counts and that you have to have the three components working together, but it is really a fact.

Mr. REECE. We all accept that. Everybody accepts that, but there has been a wide feeling that air power has been de-emphasized.

General GRUENTHER. But we are as much concerned about the air power angle as you are, and perhaps even more. The question of trying to defend this with a wall of flesh is absolutely repugnant to us and we deplore just as much as you do that the unit of measurement is always talked about as the division, because it has a psychology which is wrong, as far as we are concerned.

Mr. REECE. I think if that idea, General, could be conveyed, I think it would be very reassuring to the public.

Off the record.

(Discussion off the record.)

Mr. REECE. The one thing that is probably retarding them, or one of the things retarding them, is possibly that they do not have an adequate stockpile of aviation gasoline and the background support to support a sustained air attack.

General GRUENTHER. Possibly. I think from the standpoint of maintenance they do not have it covered nearly as well as our Air Force does, or as the British do. But they are getting better, and they are getting very much better, Mr. Reece. This MIG-15, and the way they have been handling that, and the way it has been built, has really been a revelation, and almost a shocking one. Of course, their pilots are still not as good as ours, but they are getting more experience and showing up better all the time.

In the maintenance field we think we still have an edge on them. That edge does not exist all the way through.

(Discussion off the record.)

Mr. REECE. Off the record.

(Discussion off the record.)

Mr. VOYTS. General, there is going to be offered an amendment governing the use of American ground forces in Europe. Maybe this happened while you were away, but the limitation which passed the Senate was six divisions. We found in the past 48 hours that divisions do not mean anything when you talk about limitations.

Granting that you might not wish any limitation, would a limitation by divisions, or by numbers, or by percentage, we will say, of total NATO ground forces, in Europe be the best for you and the most encouragement to Europe? That is, it seems to me there could be three kinds of limitations:

First, none of these funds should be spent to support in excess of six divisions in Europe.

Second, that none of these funds shall be spent for over 200,000 men, or 300,000 men in Europe.

Third, none of these funds should be spent for ground forces in excess of 10 percent of the ground forces in Europe.

It would be that sort of thing.

General GRUENTHER. Mr. Vorys, my suggestion on that would be, if the Congress decides that there is to be a limitation, that there should be a clear understanding as to what is meant by a division. If a decision is made that not over X divisions are going to go, that it is realized that the X divisions have to have supporting troops, so that misunderstanding cannot be created.

If there is to be a limitation at all, my recommendation would be that the limitation should be in terms of divisions, with the understanding as to what a division encompasses.

I would say just from reading the newspapers the last couple of days there might have been some misunderstanding about that.

With respect to one field that you opened, where you said that you realized I might feel no limitation should be on at all, on that particular point I happen to know General Eisenhower's view. His view is that there should be no limitation on the troops, as such. The limitation he is thinking about, if there was any, is the limitation in terms of time. During the time we are trying to raise the morale and build these people up, the question of limitation of divisions is a false standard. That happens to be what he believes. I recognize there is a difference of opinion on that.

Mr. VORYS. I have felt that the limitation of divisions was a false standard in that a division did not mean anything, and the last few days have tended to bear out my view.

This is a very practical problem that the Congress will face, I feel quite confident, in the next few weeks. If the troops are in being, there is a twilight zone there as to whether Congress can say what shall happen to them, but they can limit what dollars should be spent for them.

The proposal is unquestionably going to be made that, because of the entirely different conception of NATO that you hear about now compared to what we heard about it in 1949, Congress will want to retain some sort of control over a further change in the concept.

There are two ways to do it. One way would be to say we are "agin" it and you cannot say anything that is good. The other one would be to say this thing is coming along, and whatever we think of it, it is going to be done, and we want the formula in a form that is to be as good as possible.

When you talk about the number of divisions in Europe next year, are you including American divisions, or is that just European divisions?

General GRUENTHER. No. To explain this so that you have this clear, this is a requirement to meet this problem of what to do about a threat that is here. So, we say we need divisions. I plead guilty to the use of the term "divisions" but it means air power to support it.

However, we do not care as far as we are concerned what country supplies that division. We recognize there are, of course, certain realities of life which indicate that, but when we have listed this we have not said what countries these are going to be from. That is going to be for the governments to decide what proportion of those are going to be country A, country B, country C, or country D.

For example, just take an illustration. Just assume we can get 20 divisions in being from one country. Then, if this figure is right, and you understand it is an assumed figure, that would leave the rest of the divisions to be furnished by somebody else. If that were

the case and there were 20 effective divisions from country A, the problem of getting the remaining effective divisions from Europe would not be a major problem.

Mr. VORYS. Here is the problem. These European countries may follow what happens in Congress too.

General GRUENTHER. They do, very closely.

Mr. VORYS. Let us say they knew a certain number of divisions were required to be in being next year and that we had committed ourselves to the fact that the defense of Europe was the defense of the United States, and they just said, "Boys, there are going to be just 15 divisions from over here, or 20. Now, the United States can furnish the rest or the thing is over." That would be a bad thing, it seems to me, to have happen.

General GRUENTHER. Yes, sir.

Mr. VORYS. On the other hand, if they knew what the requirements were but they knew that the United States was not going to furnish more than six divisions, it might be a good thing for them—I do not know whether it would be six divisions, or 200,000 men, or 400,000 men in the ground forces; but, at any rate, if they knew we are going to furnish billions of dollars' worth of stuff, and Navy and Air personnel, but there was going to be a limit on the ground forces the United States is going to furnish, then I would think that might be an encouragement to have them face the facts of life rather than a discouragement.

That is what I think, but I want to know what you think.

General GRUENTHER. Well, that is a way of looking at it. General Eisenhower considers the problem a little bit differently. He is advising them that they must build up, and is saying, "Gentlemen, American aid cannot last forever. Therefore, you have a time limit, in which to raise that amount."

Now, you are doing the same thing. You and he are both reaching the same objective, which is to make Europe dependent on itself for its own defense. General Eisenhower and you, I would say, from what you have said, do not believe that the defense of Europe on a long-term basis can be importable. It has to be done by the people of Europe with regard to the ground forces.

That is his thesis and your thesis. You have a different way of arriving at it than he does, though.

Mr. VORYS. But that is not at all expressed in the law at the present time. We thought it was, but it turns out that it is not.

When General Eisenhower or you say to these European statesmen and generals, "That is what we think," then they say, "Well, that is not the way it is at all. The appropriations are made and all the troops can be sent. You yourself and the others have said that this defense of Europe is the defense of the United States. Now, get them over here."

There is nothing in the law to carry out what your idea, and mine, and General Eisenhower's is.

General GRUENTHER. Well, I accept your judgment as to what is in the law because I do not know, but as to these people arriving at any such conclusion as that, which is the second part of your premise, I can assure you they do not do that, because General Eisenhower preaches all the time that they are going to have to do that. So, within the ministries of those governments there is no question of that. It is not a matter within my knowledge as to whether it is in the law.

Chairman RICHARDS. Is not General Eisenhower's thinking in line with these objectives that you have just stated, so far as the United States is concerned, to get them out of Europe and turn that responsibility over to European troops; but does he not feel in the meantime the accomplishment of that objective would be slowed up if there were not the forces brought into being for morale purposes and so forth, in the interim, and does he not think that in order to reach that objective there should not be a limitation in between?

General GRUENTHER. That is correct, sir.

Mr. JUDD. Mr. Chairman, for the purposes of the record, I looked up the language on unity of command that was in the original law. It says:

Any such assistance furnished under this title shall be subject to agreements . . . designed to assure that the assistance will be used to promote and integrate the defense of the North Atlantic area and . . . to realize unified direction and effort.

That was Judge Kee's phrase. It was to make official our belief that they had to achieve an integrated and unified army in Western Europe.

Chairman RICHARDS. That was not the judge's idea, but it was more or less a compromise of an idea you advanced which you thought could go still further in the political field.

Mr. JUDD. I had urged something like "unity of command." His phrase represented a middle ground.

In the supplemental report of the committee we said this:

This matter of unity of direction and effort involves a most delicate question of timing. No question engaged the committee in more searching thought than the question of the timetable for developing unity of command.

The committee is aware that unity of command prematurely imposed might prove to be only a mockery and a hindrance. On the other hand, the frustration of unity of command by nonmilitary considerations must not be suffered to occur.

Mr. MERROW. Do you think it would be possible to realize the objective that you have now set forth that Europe will be in a position to defend itself, without the integration of Western Germany economically and militarily into these plans?

General GRUENTHER. It is conceivably possible, but with the greatest of difficulty. I would say the participation of Germany comes very close to being a "must." I hedged a little bit because it is conceivable you could have situations existing in East and West Germany, getting a buffer state where that would not be necessary, but naturally in our thinking we are going on the hypothesis that the inclusion of Germany obviously is a "must." We think it is very essential.

Chairman RICHARDS. In connection with that, Mr. Merrow, of course the participation of Germany is a political question now. But in the meantime, have you any contact with military men in Germany officially representing the Government, or otherwise?

General GRUENTHER. No. We have not officially or unofficially at this time, Mr. Richards.

(Discussion off the record.)

Chairman RICHARDS. But it involves the pride of the German people, though, and you have to deal with that.

General GRUENTHER. That is right, but on the contrary, having the size of the unit small did not involve the pride of the French people. It involved a fear.

In my particular view, in this period of austerity you can only afford one big fear at a time, and the fear of the evil of Russia is the big one.

(Discussion off the record.)

Mr. SMITH. Do you think the military is almost entirely at the mercy of the political decisions that are being made in Europe?

General GRUENTHER. No. Not at the mercy of the political decisions. I would say this: Except in England the military are not consulted as much as they are in this country. The military, generally speaking, are not on as high a plane as in this country and in England. In England a political decision is rarely taken without military advice. In this country you know better than I do what the situation is.

(Discussion off the record.)

Mr. SMITH. Of course, on the matter of securing bases in France, when we were there it was pretty much the boys who were running for reelection who did not want you to upset the apple cart. It was the idea that after the election they might talk to you. So it seemed to me at the time you were pretty well tied down on the political decisions that the men in political life were making.

In other words, if they are not going to go along politically the program is doomed. Reports reaching us from England this week are to the effect that this fellow Bevan is doing considerable in the labor movement against this whole rearmament program. To me that is dynamite.

(Discussion off the record.)

Mr. SMITH. I hope you are right.

General GRUENTHER. I hope so very much.

Mr. CHIPERFIELD. General, you are talking about a certain number of divisions. We had a chart before us a few days ago which indicated we had a very much larger number of divisions on our side spread all over the world. Places like Turkey and Greece were counted in.

General GRUENTHER. I suppose so, and the Siamese, too.

Mr. CHIPERFIELD. During this emergency is there not some place we can borrow some of that power in order to build it up in Western Europe?

General GRUENTHER. It is very tough, Mr. Chiperfield.

(Discussion off the record.)

General GRUENTHER. I have not heard of the number you indicate, but I am sure somehow you can drum that number up.

I saw a figure 6 months ago in the New York Times that we had 38,000 airplanes, which, matched against the 20,000 of the Soviets, gave us a 2-to-1 advantage. However, I am sorry to say, there was some question about the figure.

Mr. HERTER. Can I come back for a moment to the troops-to-Europe question?

General GRUENTHER. Yes.

Mr. HERTER. Certainly when we get on the floor on the House, as Mr. Vorys said, that question will be raised in one form or another. Is there anything you can tell us that we can use, probably from the point of view of the strategic plans you have in mind, that would give us real assurances that as far as the boys in the divisions over there are concerned there will not be another Dunkirk, so to speak, and that you are pretty clear in your own mind as to where you can hold and

in what period of time and how you could evacuate them in case a situation like that came up.

(Discussion off the record.)

Mr. HERTER. I wondered if there was some general phrase that you thought would be safe enough so that you could be quoted merely in case that question arose, because it is a very vital one, particularly until you get your air cover developed. They are in a very exposed position.

Chairman RICHARDS. I think it is restricted, but could you see any objection to members of the committee using on the floor of the House the military theory about these lines? Obviously, the enemy is thinking about that. Of course, that is military stuff, but it is the kind of matter that has been in the paper, or some of it has. Why could not somebody know more about that?

General GRUENTHER. I certainly think you gentlemen could use any of that. The only thing that comes up there is this: The reason why we have any hesitancy about it all is this: A statement that comes up about where a defense line is does give information to the enemy. If you say it, or Mr. X, the columnist, says it, or somebody like that, or an unidentified military authority says it, I think it is all right.

I do not know whether that answers your point or not.

Chairman RICHARDS. But a member of this committee who has heard confidential information from the military is in a different position. I am not talking about giving some special information, because this committee has a record for not doing that.

General GRUENTHER. I want to pay a great tribute to you on that.

Chairman RICHARDS. We are proud of it.

General GRUENTHER. I think you should be proud.

Chairman RICHARDS. When we go on the floor of the House and the other Members know that we know certain things because we have gotten it from you in executive session, then I believe there should be a statement by the military to us as to what, out of that kind of material, we could use. I was using this line and this other line as an illustration of something we have to work on, because everybody knows you are not going to get the Germans in there if you sit down on the Rhine. For the same reason that it might be harmful to talk about one place it might be harmful not to talk about that other thing. That is what we are up against.

(Discussion off the record.)

Chairman RICHARDS. That is right.

Mr. JUDD. General, when did you first start work on this in Europe? General Eisenhower started in January or February. Were you over there before him?

General GRUENTHER. No, sir. We both went over on the 7th of January and got back here on the 30th. Then I went over on the 6th of February and he got there on the 16th.

Mr. JUDD. The thing that is most disappointing to me in this whole picture is that there has been so little progress in the development of air strength. Maybe it was unavoidable, but almost everything you have told us today about its crucial importance was discussed here fully 2 years ago. Yet you are making more headway in the ground force than you are in the air; it seems to me.

I looked up one of the minority reports of August 1949 of some of the Members who opposed the program, and they said that while they supported fully the end purpose of the legislation:

However, we feel impelled to oppose bill H. R. 5895 on the basic ground that the method of assistance proposed in the bill is not consonant with the major objectives of United States policy—the security of the United States and that of friendly free nations.

Western Europe can be defended only by air power, strategically based and maintained in a constant state of readiness to meet the impact of sudden aggression.

In the opinion of the undersigned, the President should have a clear mandate from the Congress to negotiate with friendly nations, upon their request, for the immediate use and occupancy of airfields, bases, and other essential facilities which will further the purpose of effective collective security in Western Europe.

Yet, 2 years later we have not gotten anywhere to amount to anything on that.

General GRUENTHER. Of course, the machinery for doing that was not set up at that time. I am not familiar with that report, but to get air bases over there has not been undertaken except in the last year.

Mr. JUDD. That is too bad because you say yourself you cannot defend Europe by land forces alone. This has been the criticism: That you are an infantry general, and Marshall is one, and Eisenhower is one, and Bradley is one. We hear people wondering all the time, if this is not just the straight, old, German war-college concept of war based on ground forces. Some of the people who opposed it in the beginning were afraid of just what has happened.

Mrs. BOLTON. Did not the Congress vote a large Air Force?

Mr. SMITH. Seventy groups, and it was vetoed.

Mr. JUDD. That is why I asked you when you got into it, because if you did not get into it until February you cannot be held responsible. However, somewhere there has been a land-bound psychology dominating it instead of an air-power psychology, it seems to me.

General GRUENTHER. Of course, in that statement you read there I think the wording was that it could only be defended from the air.

Mr. JUDD. If I had read the whole section—and I did not read it all, those were the final paragraphs—it made the point that if we send in ground troops without adequate air support and strong strategic air, we are just throwing away the ground troops. And we have not got the air.

General GRUENTHER. I subscribe to that. Of course, there has naturally been delay, Mr. Judd. The fact that they pulled General Eisenhower over there meant it required stern treatment, and that is what he is trying to do.

Mr. VOYTS. General, here is another thing. The Treasury figures showed expenditures for MDAP as of July 30, 1951, as being \$883,773,742. We could explain, as we did before, the lag between the checks going out and the deliveries, but the deliveries are not going to be much above that out of about \$7,000,000,000 that has been made available.

We talk about what the Europeans have not done. I should think the Europeans looking at these figures would be saying, "You have had \$7,000,000,000 to play with over a period of 2 years and have less

than \$1,000,000,000 worth of stuff over here. We do not know what is happening in the United States, but we hear a lot of talk, and nothing is getting here."

What are we to say on that?

General GRUENTHER. I cannot answer that, Mr. Vorys. I hear that same thing from the European countries. One country in particular is quite vitriolic about it because they have made commitments now to call up two Reserve divisions for a month to 6 weeks next summer, and they feel they must have this equipment some time before the end of this year. It does not seem that it will be forthcoming.

I think some of the difficulties are production difficulties. Furthermore, the countries themselves, I think, have some blame in it because in turning in their lists they were a bit slow. There are a variety of reasons, but I am not just up on it enough to know what those reasons are.

Mr. VORYS. As we told you, you worked in the Pentagon before February—

General GRUENTHER. I thought we had an agreement that that was not to be brought up again.

Mrs. KELLY. Mr. Chairman.

Chairman RICHARDS. Mrs. Kelly.

Mrs. KELLY. Thank you, Mr. Chairman. General Gruenther, when you plan the ground troops for any country do you not plan at the same time the amount of air protection needed for those troops?

General GRUENTHER. Yes.

Mrs. KELLY. How could we plan air protection if it was not known whether Congress would consent to sending additional troops to Europe?

General GRUENTHER. Let me get that last one again?

Mrs. KELLY. How could air protection be planned if it was not known whether Congress would give consent to sending troops to Europe?

General GRUENTHER. But the reverse of your statement is not necessarily true, Mrs. Kelly. We still might have planned our air even though the ground was not going to be there. So the reverse of your proposal might not be true.

(Discussion off the record.)

Mr. JUDD. Would it not be better to have predominant emphasis on air with less on ground than the other way around?

General GRUENTHER. Probably so, although a categorical answer to that question could get you into trouble too.

Mr. JUDD. Of course, I do not mean 100 against 0. I am talking about where the emphasis should be.

General GRUENTHER. I am not trying to dodge your question or get complicated with you at all, but here is the thing I want to bring out. Right now we have air bases in here. You could put ten times the air power in there and that would turn out to be a very bad thing, because the iron curtain comes in very close here and you could wake up the next morning and you would have lost all these planes.

So just from the standpoint of the ground trying to prevent the overrunning you get into that problem. Now, just assuming for the sake of argument they had no value as ground fighting forces, but that all you needed was airplanes, and that you did not need ground troops at all, you would still have to have some kind of ground troops.

Mr. JUDD. I did not suggest that. In fact I disavowed that.

General GRUENTHER. I recognize it. I know you did not suggest that and I did not mean to imply you were, but in giving an answer to the question that you would put air power in at the expense of ground power I wanted to avoid giving a categorical answer to that that you had to have a certain balance, and I was using that objective thing as an illustration.

Mr. JUDD. You would not have air bases up close to that salient if we did not have ground forces in there, would you?

General GRUENTHER. No.

Mr. JUDD. They are there in tactical support of the ground forces?

General GRUENTHER. Yes.

Mr. JUDD. What I criticize is lack of more progress in 2 years in getting the strategic air bases farther back.

General GRUENTHER. Yes, sir. But here is the thing, and especially is this true regarding jets. You want your air power—and this is tactical air power, which is the power you are going to use against advancing enemy columns—you want that as far forward as you can because as you know the jet has a very short life in the air.

(Discussion off the record.)

Mr. FULTON. Korea again demonstrated that almost unopposed air power still must need ground power for support.

General GRUENTHER. Yes, I am sure Dr. Judd agrees with that.

Mr. FULTON. That is right.

Mr. VORYS. Along that line, we have heard that we have to furnish antiaircraft and all kinds of things for support and communications. It would seem to me the way to have antiaircraft around an airfield, for instance, would be to have local fellows who could be called up to man the batteries, rather than to export United States draftees at about \$10,000 apiece per year, or something like that, to sit around and wait for the enemy to come. By the same token it would seem to me that an awful lot of the supplies and support personnel even for our own divisions should come from there, rather than to have such a big number in your divisional slice, just as though we have to do everything for our own selves, while you have some Frenchmen and Italians unemployed sitting there and watching us do it.

General GRUENTHER. Take the first one, Mr. Vorys, on the question of the antiaircraft. The antiaircraft for the most part that is going over there is for the protection of the troops themselves. This is mobile antiaircraft, and they are highly trained troops that have to act very quickly when these jets come in. They have to be extremely well trained for that. You cannot stop and have language troubles and worry about all that sort of thing. They have to be first-class people. The problem of using them and getting them there probably would be quite a problem. I do not know if it is possible for it to be done, but it would be very, very difficult.

Now you move into the next field in the question of supporting units. Let us take an item like motor maintenance. We have had garage buildings, and the motors are repaired in those buildings by civilians. What happens if you have to move back or forward? You cannot take the building with you you start out with, and you might not take the civilian with you either. He might have some other ideas about it at that time. At any rate, he is not in a military unit.

So you would find if you were going to do anything on that you would want to get those fellows in a military unit.

That raises another point as to whether aliens are to be enlisted, and the Congress has been considering that. There is a possibility of some sort of solution of that sort, but just pulling them in on a kind of ad hoc basis I would like to utter a caveat about that.

Chairman RICHARDS. General, the members are going in and answering to their names on the roll call. They will be coming back soon.

Mr. VORVA. Mr. Chairman, will you have an afternoon session?

Chairman RICHARDS. I do not think we can finish up with the general this morning. Whatever the committee says on that is agreeable. If we could finish it would be fine, but if any members have questions they want to ask we could do so now.

Let us see. We will have to stop this morning in 15 minutes.

Mrs. BOLTON. Why do we not stop now?

Chairman RICHARDS. Suppose we stop now, and recess until 2:30.

General, there will be some more questions this afternoon, and we will give you a little breathing spell.

General GRUENTHER. That is all right.

Chairman RICHARDS. We will recess then until 2:30 this afternoon. (Whereupon, at 12:30 p. m. the committee adjourned until 2:30 p. m. the same day.)

AFTERNOON SESSION

The committee reconvened at 2:40 p. m., the Honorable James P. Richards (chairman) presiding.

Chairman RICHARDS. The committee will come to order, please.

General Gruenther, will you continue your testimony. I believe you were being asked some questions when we recessed for lunch. Are there any further questions, gentlemen?

Mr. CHIPERFIELD. Does he have any more charts or anything he wants to show us?

Chairman RICHARDS. Do you have any charts in that line that you want to show the committee?

Mr. CHIPERFIELD. I would like to have you tell us something about the strategic air force in England; how we are working with the English in that area on a strategic air force.

General GRUENTHER. As you know, we have some strategic air bases in England. Then we have some bases under construction in North Africa. We are setting those up now.

Mrs. BOLTON. England includes Scotland?

General GRUENTHER. Well, I do not think we have a base in Scotland.

What we are interested in being able to do, if the aggressor moves, is to get strategic air power from as many places on the periphery as possible in order to make it very difficult to defend against.

The area on that would be North Africa and England. We can do a pretty good job on that. Regarding the second part of your question, Mr. Chiperfield, British is very excellent, from the standpoint of their making bases available and making other facilities available.

(Discussion off the record.)

Mr. CHIPERFIELD. That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Smith.

Mr. SMITH. Have we straightened out the Mediterranean situation in the matter of command?

General GRUENTHER. No, sir, it is not straightened out yet. That is a matter that is before governments now in this command structure, the North Atlantic powers. It is really before the Council of Deputies, Ambassador Spofford's group, now.

(Discussion off the record.)

General GRUENTHER. The specific answer to your question is, it is not resolved at this time.

Mr. SMITH. The concept that General Eisenhower has as to the whole problem in Western Europe is definitely tied up with the situation in the Mediterranean, is it not?

General GRUENTHER. Very much so.

(Discussion off the record.)

General GRUENTHER. You see, what we are trying to do is to hold this area. You cannot do much maneuvering there, but we want to hold it so that a potential enemy does not get it.

That is basically what he is thinking of in connection with that.

Mr. SMITH. If you do not care to answer because of it being secret—

General GRUENTHER. Most of it has been secret.

Mr. SMITH. I mean, so far as the record is concerned. What about Africa? What are we doing there about strategic bases?

General GRUENTHER. We are getting a pattern of strategic bases in here. Then in this area we are getting some.

Chairman RICHARDS. While you are on that, if you do not mind, how valuable would Spain be in this thing as a site for air bases?

General GRUENTHER. It has considerable value for air-bases sites, and, of course, for naval bases also.

(Discussion off the record.)

General GRUENTHER. Spain has value because of its position in controlling the Mediterranean.

Chairman RICHARDS. If you had airfields in Spain, would they be able to handle the same kind of air stuff that you are handling now?

General GRUENTHER. Yes, generally speaking, it would be the same kind but a good deal of preliminary work would have to be done. It is too far back for tactical air.

Chairman RICHARDS. If you lost out on one, you would have the other?

General GRUENTHER. Yes, sir.

Mrs. BOLTON. I realize, of course, you are dealing with the Atlantic Pact countries. The problem of the Middle East, the Greeks and Turks, looms large.

Would it seem to you there could be constituted a middle eastern group like the Atlantic Pact group, or a Mediterranean group; would that make good sense?

General GRUENTHER. Both of them have problems. As you know, really the two basic alternatives are as follows: That there be a separate pact. That is solution 1. Solution 2, that those countries be brought into NATO.

Those are two general solutions that are being offered as alternatives. As to bringing them into NATO, you are familiar with the objections that some of the other countries have been raising to that.

Mrs. BOLTON. Would it not strengthen us in many ways if there were a Mediterranean group?

General GRUENTHER. Yes; but the problem that comes up there is this: When you have a separate pact then the question—this diagram that Mr. Judd was talking about—of coordinating three ways comes in. You would have to coordinate not only that way but you would have to go over and coordinate in what we might call the middle eastern pact.

Mrs. BOLTON. But to hold the Middle East and north Africa, which may need holding, would not that be advisable?

General GRUENTHER. Yes.

(Discussion off the record.)

Mrs. BOLTON. We were told the other night that none of the Arab countries are now friendly to us. It is getting to be a very serious situation for us. Would it perhaps be impossible to secure such cooperative action from these countries at this time?

(Discussion off the record.)

General GRUENTHER. What I have been hoping, under sponsorship of the large powers, particularly the United States and United Kingdom, is that Greece and possibly Turkey could be gotten under General Eisenhower, and then the others could be associated.

Mrs. BOLTON. You think the association would help?

General GRUENTHER. Yes; I do. The Middle East situation is one that bothers us. Of course, the Iranian problem is a difficult one and could result very, very unfavorably for the free world.

The political divisions that exist here are very disadvantageous. There is no other area in the world where the defense would be so easy if you could ever get political agreement. Political agreement does not solve our problems up here in Europe; they simply facilitate them. But political agreement down here means much more.

Mrs. BOLTON. Would you include north Africa in this association?

General GRUENTHER. I do not think so.

Mrs. BOLTON. You would keep that area by itself?

General GRUENTHER. Parts of north Africa are not strategically so critical. What we are trying to do is encourage stabilization in the Middle East. If you ever got these people sitting around the same table, it would help.

Mr. VOYTS. Do any of them have very substantial military forces?

General GRUENTHER. Not very substantial.

It is a pretty difficult situation. But Mrs. Bolton has been out there quite a bit. So I think as a special subcommittee you might consider giving her the task. You people have to solve all the problems of the world, in one form or another, anyway.

Chairman RICHARDS. Are you a fisherman? You were talking about a can of worms. They are pretty hard to untangle when you are baiting your hook.

Mr. VOYTS. The Spanish Ambassador at a lunch the other day said:

What is this foolish talk about Spain won't fight any place except behind the Pyrenees? We want to fight to keep the enemy from getting behind the Pyrenees.

I do not know if that is right. He developed it a little more than that, but that expresses it—that they did not want to have invaders; they wanted to meet them before they became invaders.

He meant to imply they would have a selfish reason in working for the defense of Europe.

(Discussion off the record.)

Mr. VORYS. You said we know what the British and French think. We have asked various witnesses, and they have said that on the political side we are familiar with the political thinking in Britain and France, but I thought the witnesses said that on the military side the military fellows would like to have the Spanish in; is that correct?

General GRUENTHER. That is true. It is one of those problems that are 90 percent political. You really have the problem of how much attention this is going to get in an organization like the NATO organization.

(Discussion off the record.)

Mr. VORYS. About 10 days ago I read there was a NATO agreement about laying down ground rules for troops fighting outside of their own territory, and that General Eisenhower hailed that as a great advance.

General GRUENTHER. That was an agreement for administrative procedures. That is what it amounted to.

You had a situation whereby you have British troops here, you have a British air base here—what is the legal situation. They have worked out a lot of rules and regulations on that. That is what General Eisenhower's reference was.

Chairman RICHARDS. Mr. Mansfield wants to ask you a question.

Mr. MANSFIELD. General, I have three questions. These questions may have been asked before; if so, just ignore them.

Have you any comments to make militarily on Yugoslavia?

General GRUENTHER. Yes.

(Answer off the record.)

Mr. MANSFIELD. The second question: A few days ago there was a newspaper story that General Eisenhower was going to create a one-uniform, one-flag army.

Mr. CHIPERFIELD. Mr. Chairman, we covered that before.

General GRUENTHER. I did not know that he said that. He is for the idea of an European army, but it is primarily an European army.

Mr. JUDD. Kiplinger this week says:

Eisenhower's one-uniform, one-flag army is for troops of the Continent and will not include forces of the United States.

General GRUENTHER. That statement is correct.

Mr. MANSFIELD (presiding). How many American divisions do you think we ought to have in Europe until the present emergency gets straightened out and a European army is ready to take over?

General GRUENTHER. We do not have an idea on that now. We are counting on the number of divisions that are presently contemplated in coming, which are the four that were arranged for earlier this year.

On the question as to whether additional United States ground divisions should come to Europe, we have no view on that at this time. It is a matter that we are studying.

The general's own thinking is something like this: If he comes to a conclusion that it is necessary, he will make the recommendation. He has not yet made that recommendation.

(Discussion off the record.)

Mrs. BOLTON. Mr. Chairman, I have a question.

Mr. MANSFIELD (presiding). Mrs. Bolton.

Mrs. BOLTON. I wanted to ask this question, General: What has happened to the airfields that went across Africa?

General GRUENTHER. I do not know the answer in detail to that. Some of them have done some cracking up and need repairs.

Mrs. BOLTON. The British took one or two, did they not, to use?

General GRUENTHER. Yes. They have a couple. Some them need repairs. I flew over this area when we were down here.

Mrs. BOLTON. I meant south across the continent.

General GRUENTHER. I do not know.

Mrs. BOLTON. Because when I was over there in 1945 with Karl Mundt, we tried to come back via the war fields, and at that time there were some of them already covered over with sand, and some of them in bad shape.

General GRUENTHER. Yes. Unless they have been kept in shape for commercial use I would doubt it if very many of them are in shape militarily. I do not have the answer to your question.

(Discussion off the record.)

Mr. CHIPERFIELD. Would you like to comment on the Voice of America, or propaganda activities?

General GRUENTHER. Well, as a matter of fact, I have a high regard for the Voice of America. I recognize, and you people know infinitely more about it than I do, that there are imperfections in it. You could very easily point out this type of that type of a program is not making the hit that it should, and I think that is true. But as a general proposition it is a very excellent thing, and I think we should be doing more and more in that field.

I am very much interested in what Mr. Gordon Gray is doing. I understand he has just taken over the chairmanship of an organization to coordinate these activities, and I think that is an extremely important field.

Mr. CHIPERFIELD. Do you think it would be wise in our broadcasting, and so on, to do that, rather than putting a tag of the Voice of the United States Government on it?

General GRUENTHER. Well, of course, I think this, sir: In Munich you have Radio Free Europe. I think those people are doing a good job, but I think it is a little delusion to say, just because they call themselves Radio Free Europe, that that means the people who are listening to them would not stamp it as an American Government program. Actually, it is not an American Government program. If Radio Free Europe were beamed to France, for example, it would have quite an effect and you could convince the French people that it was not an official Government program; but as far as what the Czechs think about it, that is another thing, because the Communists keep broadcasting all the time that this is an official American program.

Incidentally, it is a terrible annoyance to the Czechs.

Mrs. BOLTON. You do know it is bothering them?

General GRUENTHER. The programs are coming up with mean tricks like this: They will get a fellow who is informing on other people and they will identify him over the radio and say: "Watch out for John Jones. He is going to inform on you. If you will check the records, you will see he visited so-and-so at such-and-such a time."

Mrs. BOLTON. That would be annoying, would it not?

General GRUENTHER. It would be disconcerting to have all of your private telephone numbers exposed in public.

Mrs. BOLTON. Wonderful.

Mr. MANSFIELD (presiding). Mr. Reece.

Mr. REECE. Whenever my time comes up, Mr. Chairman.

Mr. MANSFIELD (presiding). We are just going around the table. (Discussion off the record.)

Mr. REECE. I have done a little computing here which is based upon one of the primary essentials, I think, for the defense of Europe, and that is air power.

In my questions, what I am leading up to now is whether we are giving sufficient emphasis to the development of air power for Europe.

As I understand it, one of the long-range bombers costs now about \$3,400,000 ready to go into the air, fully equipped. On that basis, if the majority of this \$8,500,000,000 were used for the construction of bombers—just using bombers as an illustration, because that is the most expensive plane, and realizing that tactical air units would have to go with it, that would build about 2,500 long-range bombers. Or, if we take the estimate for the 3- or 4-year program, that is, the estimate of the cost of the 3- or 4-year program until we bring our troops out which, as I understand it, would be around \$30,000,000,000, which would be our share of it in order to meet the deficiencies of the requirements of the various NATO countries, that would represent the cost of something over 12,000 of the long-range bombers.

I am now wondering about this: Assuming that the European nations could under great stress develop reasonably soon, with the aid of the few divisions we have over there, and build up a respectable ground force, what would be the deterrent effect on Russia if we used a larger share of these proposed expenditures, so as to put into being a ready-for-use striking strategic Air Force that these proposed expenditures would buy, let us say, ranging somewhere around 10,000 and 12,000?

General GRUENTHER. First of all, the question of the deterrent value is something that is difficult to estimate. It is a value that resides in the minds of people, because if they decide that they must move, those 10,000 or 12,000 do not stop them from moving. Now, admittedly it will make life pretty miserable for them in their homelands, if they are bombarded by that type of airplane. But they could move in and take over western Europe just the same.

Mr. REECE. If that was accompanied by tactical air support?

General GRUENTHER. I was going to move to accompanying tactical air support later. I was just going to take the hypothesis on the basis of which you made the statement, and then we will move into that other field.

The second thing is this: You have said that you would then count on their building up a few divisions. As a matter of fact, that is what we are trying to get the aid program to do now, that is, to build up these few divisions. If all the money went into air power there would never be any left to build up the divisions. Europe does not have the power to do it now.

Now, taking up the matter of tactical air power, and the suggestion of having a number of these heavy bombers and at the same time some of the tactical air power, we say: "Yes, we agree. We think that is what should be done."

General Eisenhower is giving full weight to the possibilities of air power. It is just a question as to what that balance is, Mr. Reece. I recognize there can be a great difference of opinion as to what that balance should be. There is a school of thought that might say, or that I have heard say, "Put it all in air power."

We do not subscribe to that school of thought.

Mr. REECE. I do not adhere to that school of thought, but I have been somewhat disturbed and the hearings have accentuated it rather than abated it, as to whether sufficient importance is being placed upon the building up of an adequate striking power by air. There is a limit to what we can do in the United States. Here in this committee we have seen the charts and listened to the economists explaining the economy in practically every nation on earth. In nearly all of them outside of the United States, Great Britain, and Belgium, and one or two other exceptions, there is a substantial deficiency and they say we should make up those deficiencies.

Each one of these economists states what the limits are of these other countries. None of them have discussed what our limits may be. We have the responsibility for making up the deficiency. General Bradley comes before the committee with a world map and shows how in every sensitive area all over the world the pressure is being supplied by the Soviet and the satellite troops, and the only power to resist that military pressure is the United States, in effect, except for the aid we get to assist in Europe in the other European countries.

Now, that becomes very disturbing. We have a national debt of something like \$275,000,000,000. We are authorizing a defense expenditure this year of something over \$80,000,000,000, counting the scientific developments. We have a tax bill which I think the economists or tax experts agree is scraping the very bottom of the tax barrel. The only other substantial revenue has to be, as they say, from a sales tax.

We ourselves have a limit somewhere, and you emphasize, as did General Eisenhower, that the industrial capacity of the United States, or our economic strength, is the one great deterrent. That is what causes me to place probably greater emphasis on the air power, which is one important striking power, as I see it, that we can use without exhausting our own economic resources.

Now, that is probably not so much a question as it is a statement, but it shows what underlies my thinking with reference to emphasizing air power, that is, that it is one phase that we do have the ability to build up and strike with effectively without exhausting our resources.

I am wondering to what extent, by spreading ourselves and just going ahead without regard to where our own precipice is, we might not be running the risk of exhausting our economy here and thereby removing the greatest bulwark against communism?

General GRANTHER. I am sure, Mr. Reece, that there probably is some danger involved. It is a danger I am not competent to estimate, but you have had people who have been before this committee who have given that. Now, in an endeavor to arrive at the correct answer to the air problem, in our headquarters, for example, we have a large

number of air officers on the staff. In a key position we have the Supreme Commander and then a Chief of Staff, which is the job I hold, and then a Deputy Chief of Staff for Plans and Operations. All of the strategic plans are under him. That officer is an Air officer—an RAF Air Vice Marshal, who had great experience in the war, mostly with American units, incidentally. The man immediately beneath him, who has direct charge of all operations, is a French Air officer who was in Indochina fighting under combat conditions against guerrilla activities, and so forth. In addition to that, we have an Air Chief Marshal—a four-star Air officer—on the staff.

That in itself does not insure that we arrive at the right answer. I do not want to say arbitrarily that we are going to arrive at the right answer. I say we are studying it and General Eisenhower is giving it his personal attention.

Mr. REECE. One thing that increases my concern is, as I indicated this morning, throughout the hearings on the military side of it most all of the talk has concerned itself with divisions and men. None of the witnesses have talked in the same detail about the number of tactical airplanes and number of strategic airplanes, and what the striking power of them may be, and what the necessity of having them may be, and pointing out the necessity of building up that element of our defense. Nearly all of the testimony has had to do with divisions and men rather than air power, which increases my concern somewhat, General.

I am in favor of building up the strongest defense and putting ourselves in the strongest position that we are capable of doing without endangering our economic position here, which would endanger the whole picture.

General GRUENTHER. Well, Mr. Reece, I recognize the imperfection in my presentation.

Mr. REECE. I do not infer that at all. I am very much pleased with it myself. I am greatly pleased with your presentation and the breadth of coverage, including air power, that you have given in it, more so, I think, than any other witness who has appeared before the committee.

What I said implies no criticism of your presentation at all. Just the reverse is true. You have made a most excellent presentation of which I, personally, am appreciative.

General GRUENTHER. That is very kind of you to say that, but I do not mind the criticism at all. I would like to assure you, though, that the problem is not neglected. I mean, the sense in which we have been doing this has been to try to reeducate the public on what the order of magnitude of a thing is. You instinctively go to a type of measurement that the public understands. To reassure you a little bit, in spite of the presentation, General Eisenhower had all of the Air Chiefs of Canada, the United States, France, and England get together. They met in Washington in May, working on this very problem. Then they came to Paris and worked again for about 10 days. Then we took a working group from each of those countries, and we now have about 10 officers who are doing nothing but working on this problem all of the time.

You have a big problem as to how much air these people can absorb. That is the thing. It is not just a question of making planes. That is what we are trying to work out in addition to the balance.

Mr. REECE. It is one of the things we have not had discussed in very great detail. However, I do not want to belabor that point and I feel I am taking too much time, Mr. Chairman. I appreciate your discussion very much.

Chairman RICHARDS. Was there anything else you cared to say on that?

General GRUENTHER. I do not have any detail to add to that.

Mr. HERTER. I wonder if we could have a recess for 5 minutes to answer to our names? I would like very much to ask the general a question.

Chairman RICHARDS. We will take about a 5- or 10-minute recess and come right back.

(Whereupon a recess was had.)

Chairman RICHARDS. The committee will come to order.

Mrs. Kelly.

Mrs. KELLY. Is there any evidence that civilians have been evacuated by the Russians from that offensive area?

(Discussion off the record.)

Mrs. KELLY. How well armed are the Balkan areas?

General GRUENTHER. In the last year these Balkan satellites have retrained considerably and in ground forces their strength has gone up in the last year. There has been a not quite corresponding increase in air power. Their ground power has gone up faster than their air power. So that the number of divisions they have now compared to what they had a year ago is increased.

Furthermore, the type of division that is being increased is the offensive type of division, namely, an armored division. So from the standpoint of capabilities, which again we always have to keep thinking about as to what could this fellow do—the capabilities of the satellites have increased considerably in the last year.

The question as to whether the Soviets think they can get away with another war by proxy is something that I do not know about. I would think they would have some skepticism about their ability to get away with that type of conflict now, but you cannot tell what they are thinking of.

Mrs. KELLY. To go to another area in the world, if the Arab refugee problem could be solved as quickly as possible, possibly by authorizing \$150,000,000, which it is estimated that that problem would cost, do you think that would enhance the possibility of reaching an agreement in that area of the world?

General GRUENTHER. I would suppose it would enhance it some, Mrs. Kelly, but just how much I do not know. I am not in close enough touch to give a view on that.

I do know from my knowledge of the subject that it is an irritation, and anything that will remove an irritation has value. But my view on that would not be worth quoting.

Mrs. KELLY. Then for my last question. The strength which we hope will come from this collective effort of the free countries will far exceed the strength of the separate national components. Now, remove that collective strength, and how strong would the European area be? In other words, if they by themselves could create one division, by collective strength we should have three divisions. Is that correct?

General GRUENTHER. I do not know. I would not be able to give a multiplication of that worked out, but I would answer your question this way, if that satisfies you, and if it does not, please ask me again: If we can work out a scheme on collective security it will enhance the over-all security very much, as against a system whereby the separate nationalities and the separate nations had to provide their own security. There is no question about that.

The most effective utilization of these forces is a system such as this. Bear in mind as you think of this that no such system has ever been organized in human history before in time of peace. So the fact that you have been able to get this far on it is a unique achievement in the history of the world.

In time of war two nations got together with terrific pressure on and a sense of urgency existing, and there was no question about it that survival was at stake. The issues are not as clear-cut now. They are just as real, but they are not as readily recognizable. To contemplate that this system will not work is just too horrible to believe, because it really, in my opinion, means the future of civilization.

Mrs. KELLY. Thank you, General.

That is all, Mr. Chairman.

Chairman RICHARDS. Mr. Herter.

Mr. HERTER. General, I have in front of me a table prepared by the Pentagon of the amount of end-items or similar items that have been authorized to date for our Armed Forces outside of the MDAP program entirely. They are identical items to those that come into the MDAP program. They amount to appropriations already made of \$20,127,000,000. A figure is in the bill that will be coming before us within the next 2 weeks on the floor of the House, I am told, of another \$29,000,000,000. That is for end-items only and has nothing to do with the pay of troops, or installations, or building of barracks, or anything of that kind.

Now, that is a total of nearly \$60,000,000,000 in end-items, of which presumably some have been used up in training, and some in Korea, and so on. However, it is a very considerable amount today. I assume that we will have a request from year to year of rather similar amounts in connection with our Armed Forces.

My question is this: Since those items are in every way identical with those being shipped, that is, these end-items for equipment of the armed services in Europe, can you see any objection from the point of view of flexibility if this committee should decide merely to authorize the armed services in this country, or the Department of Defense, to assign to you a percentage of those end-items, and we might want to put a top limit on it, or it might be so much of that type of equipment as in their opinion was justified by the speed or the progress that you are making.

General GRUENTHER. No. I see no objection to that, Mr. Herter. I would assume as a part of the premise under which you posed the question that you were visualizing that such things as the programming and giving advance notice, and so forth, would be taken care of in the way it is taken care of now.

Mr. HERTER. I would assume that the Department of Defense would notify you.

General GRUENTHER. Yes.

Mr. HERTER. As to what in their establishment of priorities they felt could possibly be sent to you.

General GRUENTHER. We are interested in this: We are interested in items, articles, and equipment for these people, and that is our fundamental requirement. We are interested in having them in time so that they can make their plans, because for each of these it involves expenses which, as far as these countries are concerned, are significant portions of their budgets. As long as we can get that, and as long as we can plan, and as long as the percentage is such that it does not hamper us in that we are able to go ahead, which is the sense in which I understand your question has been posed, I see no reason against it.

Mr. HERTER. My reason for asking that question is, it seems to me, that it gives you much greater flexibility in carrying out this program if, when you get your men trained, your equipment is ready here. You do not want to be limited by a dollar appropriation as to what can be made here that can be sent out of the country to take care of your needs.

I am, of course, arguing a conviction of my own.

General GRUENTHER. I recognize that.

Mr. HERTER. The second point is, if the entire matter were handled in that way, would there not be a considerable speeding up, so to speak, in the liaison work, because in effect then the whole relationship in getting these end items sent to you would be a contact between yourself and the Pentagon?

We have a good many civilian agencies we have seen from the charts that stand between you, and I can see the value of civilian agencies when it comes to the question of putting the heat on these European countries to mesh their production of the end items you give to them, but when it comes to the final allocation and shipment of the end items to you, this would make a direct pipeline.

General GRUENTHER. That is possible. I would not be able to comment on that, because I do not know enough of the administrative machinery by which that shipment is made. The reason I make that statement is this, Mr. Herter: As you know, we have really just five officers handling this. It would take an organization which is already in existence, that is, the Joint Chiefs of Staff and the Defense Department here have an agency in London that does that.

Mr. HERTER. Your MAAG and JAMAAG would still continue to do all of the screening, and sorting, and everything of that kind.

General GRUENTHER. Yes. The reason I did not give an answer to the question about whether it expedites it or not is because I am not sure enough about that administrative machinery on the expediting. I do not have the facts on that.

Mr. HERTER. But offhand you could not think of any objection, could you?

General GRUENTHER. I do not see any.

Mr. HERTER. Would you not still visualize your economic people in each of the country missions and your political and military people working out their end-item requirements as they do today, taking into consideration what each country within its economic means could contribute?

General GRUENTHER. I would hope that that would always be done, and that in the working out of the administration of the plan you have

in mind nothing would be done to change that very essential coordination.

Mr. HERTER. It would seem to us, watching that operation, that it was a very successful one from the point of view of cooperation. There is nothing written in the law that says it has to be done that way, but it was set up that way, and seemed an excellent arrangement.

General GRUENTHER. Of course, the people who are handling that here may have views on this which would be overriding, and I have not discussed that matter with them.

Mr. HERTER. Surely.

General GRUENTHER. Because on these two points you are asking me about we always come back and say, as long as we can get our matériel and as long as we have flexibility in items, we have no interest, for example, in money values. I suppose there are such things as shipping charges, and so forth, that have to be converted into money, but we, as such, are really not interested in money. We are interested in items, and any system that will get the things and the articles and equipment there is O. K. with us.

Mr. HERTER. As I understand it, the program that we believe in very strongly, such as the training of foreign military personnel in this country, would have to be provided for over and above this.

General GRUENTHER. Yes, sir.

Mr. HERTER. And possibly shipping charges, and packing charges, and overhead costs would have to be provided for separately. But these end items, again with the possible exception of a few mine sweepers and small boats that would be specially built for special purposes in special sections of the world—everything else, as far as we can see in the end-item program is nothing but standard equipment, and there is no way of identifying a tank when it comes off the line as being an MDAP tank or a defense appropriation tank, is there?

General GRUENTHER. No, sir. The tank is what we are interested in.

Chairman RICHARDS. Are there any other questions?

Mr. VORYS. I have just gotten some figures. I do not know whether you know a thing about them, although you know about part of them. They deal with employees in MDAP.

Mr. HERTER. You mean in Washington?

Mr. VORYS. I had thought of your idea, which would be one going toward economy. The grand total is 8,748.

Chairman RICHARDS. The grand total of what?

Mr. VORYS. MDAP personnel. Military in the United States, 239; civilian, 5,108. That is in the Department of Defense. Overseas, 2,327 military; civilian, 620.

The Department of State Program Direction in the United States 88 and overseas 107. Support Activities—this is for State—119 in this country and 140 overseas.

So that there are 5,554 in the United States and 3,104 overseas, and that does not include the members of mobile training teams, or labor forces employed in the various installations for rehabilitation, and it also does not include civilian personnel in performing other functions that you handle, and who run MDAP on the side.

Mr. HERTER. May I say this to the gentleman? I have rather suspected that MDAP money was being used for everything except the kitchen stove. I have gotten a member of the staff here to consult

with the Comptroller General, and he started getting figures, I understand, to show exactly what MDAP money is being spent for. One of the reasons why I was very anxious to get that was that I had the feeling that a lot of things were being charged to MDAP that had nothing to do with the MDAP program.

Mr. VORYS. If we have 5,000 civilians working on a program that up to date came to \$7,000,000,000 of exactly the same sort of thing that we are procuring for our own forces, that is considerable overhead.

Mr. JUDD. Who furnishes funds for all those civilians? Does MDAP furnish them?

Mr. VORYS. The Department of Defense employs them under Mutual Defense Assistance. This comes out of MDAP appropriations.

Mr. HERTER. I had the feeling that a lot of money was being spent under this MDAP appropriation. Some of the objections to the very scheme I am offering were that a lot of things were being done with MDAP money that this committee had no idea about whatever.

Mr. JUDD. Is there a breakdown of what these people are doing?

Mr. VORYS. I am not sure you are familiar with anything except the—

Mr. HERTER. I do not think this is something General Gruenther has to get into at all.

Mr. VORYS. That is, excepting the 2,327 overseas military.

Mr. HERTER. I am assuming they would charge the military to the military program in those countries.

General GRUENTHER. Probably. That is not under us.

Mr. VORYS. Are they charging the salaries of the 2,327?

Mr. HERTER. I am told the information is being typed up in greater detail by a member of the staff.

Mr. JUDD. You say our military advancing groups are not under you, but are under the Pentagon?

General GRUENTHER. Yes, sir. The chain of command on that sort of thing is that the Department of Defense has these agencies throughout, and they come to General Eisenhower for policy matters, but on a matter like this we have no cognizance of it.

Mr. JUDD. That is, General Eisenhower has a considerable say as to what they shall be doing, but the actual doing of it is under the direction of the Pentagon here?

General GRUENTHER. That is right. Supposing that a team in country A decided equipment was being misused, let us say, and therefore they wanted to stop it and change the amounts. We would be consulted. But whether there were 10 men arriving at that conclusion or 25 men, we have not been in that.

Mr. HERTER. May I ask one more question, Mr. Chairman?

Chairman RICHARD. Yes.

Mr. HERTER. At the very outset of the hearings when the Secretary of State was testifying I asked him a question as to why a determination had been made to turn over all of this end-item equipment as an outright grant to the individual nations or individual military establishments, rather than to follow the old pattern of World War II with lend-lease. He said he could not give the reasons, but he knew the matter had been given consideration, and that the balance was in favor of the outright grant, rather than the lend-lease operation.

Do you know what the answer is, or what the pros and cons are on that?

General GRUENTHER. No. I do not think I would be able to give a very good answer to that, Mr. Herter. I can think of some, but I am not sure they are the ones that really governed.

Mr. HERTER. From your own point of view, when the United States Government, let us say, finished this program, or has gone through the major part of it and turned over some \$17,000,000,000 or \$18,000,000,000 worth of war matériel to different nations on the Continent of Europe, or Europe, Greece, and Turkey, in the event you wanted to use that equipment or General Eisenhower wanted to use that equipment in some section such as the Middle East, once you had given it away you would have no further lien on it of any kind whatsoever, would you?

General GRUENTHER. I do not know what the legal status of that is. There is an agreement signed, but I do not know the details of the title to the property. I am sure one of these officers from the Defense Department would know the answer to that question, but I do not know.

Chairman RICHARDS. Is there an officer here who can answer that?

Mr. HERTER. In case that question is raised I would like to know what the arguments are for completely giving it away.

Colonel OFSTHUN. The title passes to the nations.

General GRUENTHER. The question Mr. Herter asked is, if nation A has been given this material and we wanted to send it to the Middle East, can we do it?

Colonel OFSTHUN. They cannot do it without our permission.

General GRUENTHER. But can we do it?

Mr. HERTER. General Eisenhower cannot say that this is needed in the Middle East worse than it is here?

Colonel OFSTHUN. No, sir.

Mr. HERTER. He could not take it from the Belgian, or the French, or the Dutch Army?

Colonel OFSTHUN. No, sir.

Mr. REECE. Would you mind giving the breakdown on that?

Mr. VORYS. I will hand it to you.

Chairman RICHARDS. I would like to state before we finish up here for the members of the committee, that we will have a meeting at 10 o'clock in the morning and this will wind up the appearance testimony, I think. There may be a few other statements put in the record. I hope you will all be present because we will decide the procedure as to writing up the bill, or whether we take up anything else, and things like that. We will take up those questions in the morning.

Mr. HERTER. I was wondering if I could get an answer from General Gruenther on that last question.

Chairman RICHARDS. I know, but I was afraid some of the members would leave before I said that.

Mr. HERTER. General, that is, from your point of view, in the operation of a joint effort, would you feel that you ought to be able to keep some sort of a lien on that property?

General GRUENTHER. I would not feel very strongly about that, Mr. Herter.

Mr. HERTER. I do not know whether it is important, but I am just posing the question.

General GRUENTHER. I do not think so. I am just trying to think. You see, in the priorities the equipment is assigned largely into the

areas where it is most needed. I do not think it is necessary. I have never thought of it before, but I do not think it is necessary. You would have considerable difficulty. I am thinking about it in terms of the European nations themselves, because they make commitments contemplating that they are going to have this equipment assigned to them.

Of course, if there is always a string on it which they think is likely to turn into a whim, I can see very considerable disadvantage to it.

Chairman RICHARDS. Are there any other questions?

Mr. JUDD. Mr. Chairman.

Chairman RICHARDS. Dr. Judd.

Mr. JUDD. I have a question on general policy such as you were discussing at the outset this morning, General. You were speculating as to reasons the 12 men in the Politburo might have in their minds and the considerations they would have to weigh before they would launch an attack on Western Europe. One of them was their recognition that while they could probably overrun Europe and win the first battle, they still would have to win the war against American production.

Do you not think that if they were to start a drive to overrun Western Europe they would simultaneously, or even before that, have to strike at the United States itself in order to cripple our production? So that, we are likely to have either a war that involves us right here with such striking power as they have, as well as a war in Europe, or no war at all?

General GRUENTHER. I think that that is probably true, Dr. Judd. The question again comes up as to whether they calculated it out to that refinement, or whether they might become involved because of a miscalculation, because of a tense situation, or something like that. I think in all logic what you are saying is correct.

Assuming that that is the way that they are also thinking, they have got to be able, if they are going to launch that, to knock out a good part of the American production at the time that they start anything.

Mr. JUDD. The point is if they are going to start a war in Western Europe, they know it would bring us in. So there is everything for them to gain and nothing to lose by striking at us at once. If they can knock out a good part of our production, fine. If they cannot, they are no worse off than if they did not try.

General GRUENTHER. I think so.

Mr. JUDD. So when we talk about attack on Western Europe, must we not be prepared for simultaneous attack upon ourselves?

General GRUENTHER. Undoubtedly.

Mr. JUDD. Our people should understand that much as a minimum. There is no secret about that.

General GRUENTHER. That is right.

Mr. JUDD. Therefore, anything that we do to increase our strength here helps deter attack upon Europe, conversely increased strength over there helps deter attack upon us.

General GRUENTHER. Very definitely.

Mr. JUDD. One other thing: You said this morning—although this may be a little out of your field if you want to regard it as such—you said you thought that history would probably record the attack upon Korea by their satellites as their greatest blunder because it has put

into operation a whole series of speed ups in building the defenses of the free world that probably otherwise would not have occurred.

Now, they made this great mistake in Korea. Should we try too hard to get them out of the mistake? Do they not want a cease fire precisely in order to write off their mistakes and be freer to start operations elsewhere?

General GRUENTHER. That is a possibility. When I made my point, I was referring to the way that they have aroused the free world. Whether a successful cease-fire—and it certainly does not look as though it is being very successful at the moment—is going to so disarm us is a situation which I hope will not occur. That would be the only premise under which I would accede to the import of your question.

I feel that we in the free world—and you gentlemen particularly in your position of leadership because your responsibility is very very great in this—and you are part of the high command just as much as we are—that your job is going to be, and I am sure you recognize it—is to assess this danger and take the necessary measures to see that we are properly prepared diplomatically and in whatever ways are necessary militarily to do it. But as for putting us at a disadvantage if we stop, if the cease-fire is successful, I would not feel that way about it, Doctor.

Mr. JUDD. I suggest it only in the sense that the hostilities are now compelling them to commit their own resources there.

General GRUENTHER. They are committing resources but we are committing some resources, too.

Mr. JUDD. The point is that with a cease-fire they will be able to withdraw their forces. They are sure we are not going to start the war up. We cannot withdraw our forces because we do not know they will not start it up. Thus they get off the hook for operations elsewhere and leave us on the hook.

General GRUENTHER. I recognize the dilemmas in connection with the cease-fire are very tough ones and especially if you get a situation where we have to keep troops there indefinitely.

Mr. JUDD. Let me put it another way: Do you think they are more likely to start trouble in Europe if there is some sort of settlement in Asia than if there is not?

General GRUENTHER. I would feel that there is more chance that trouble will start in Europe if this thing is not settled. In other words, I feel that the successful conclusion of the cease-fire is an advantage from the standpoint of Europe; that it lessens the danger of their attacking Europe, paradoxical as that may seem.

Mr. JUDD. General Bradley, as I recall, said the opposite, that with a cease-fire in Europe—

General GRUENTHER. In Korea.

Mr. JUDD. Yes, in Korea, that we might be in greater danger of all-out war elsewhere because it would allow them to shift their full attention to somewhere else. The North Koreans cannot now carry on much of an operation. The Chinese Communist cannot at the present time. Russia is now at the place where she has to accept a psychological licking or commit her own strength in Asia which she has not had to do heretofore.

Chairman RICHARDS. General Bradley did not say such a thing. He said it might be desirable.

Mr. Judd. He said he thought that well might be the case.

(Discussion off the record.)

Mr. FULTON. Could we ask you to explain your views on the cease-fire, how it would help Europe?

General GRUENTHER. From the standpoint of the treasure that we are putting into it over there, take a point that Mr. Reece has been talking about here. Mr. Reece has been talking about air power, why we do not have more air power. The business of having enough air power there has a very definite relationship with the situation that exists there. From the standpoint of our build-up, we welcome a situation where the Korean situation is settled and more particularly where we get a position in the world where armed conflict is not continuing.

We feel that same way to a lesser extent in connection with Indochina. The fact that you have got armed conflict going on in any place in the world involving the Soviet Union or satellite we consider very much to our disadvantage. I am talking about the disadvantage of the whole free world.

Mr. Judd. If we got a cease-fire in Korea, would you be able to shift air units to Europe?

General GRUENTHER. Probably not, initially. That I do not know. Of course, as you know, there has been an air build-up in Korea. If this is just an armed truce where there is going to be no withdrawal and where they continue to build up, well then, you have had it, of course.

Mr. Judd. The thing I have been afraid of is that it allows the satellites still to tie us up in Asia while the Soviet is able to move its first team elsewhere. I hope you are right, sir.

General GRUENTHER. I hope so, too.

Of course, if we get to a position where we are not leading from weakness, that sort of skullduggery is not going to take place any more.

Now, we suffered those disadvantages during this period. That is one reason why I am so convinced that we have to operate from a position of strength and the sooner we can get there the less skullduggery we will have to face. Admittedly, you have got an extremely difficult problem for the very reason you mentioned.

Chairman RICHARDS. Are there any other questions?

Mr. VORVA. I just wondered: How do you work along with Mr. Cabot?

General GRUENTHER. Well, we don't work directly with Mr. Cabot, Mr. Vorya. Mr. Cabot is in charge here of the organization known by the initials, ISAC. Actually, in General Eisenhower's position as the senior American commander there, I do not remember that any policy directives have come to us from ISAC.

You would remember, Andy.

Colonel GOODPASTER. We have had none, sir.

General GRUENTHER. We are not normally in that chain. We know what is going on but we do not have any relations with him. He has been to the headquarters and I am going to see him tomorrow or the next day.

Chairman RICHARDS. Are there any other questions?

Mr. FULTON. On the Middle East, do you think that we should give a firm push toward developing in the Middle East a good defensive strong point?

General GRUENTHER. I certainly do, Mr. Fulton, if we can get the formula for it. But you recognize that the formula for it, the mechanism by which you do it is a very tough proposition with the tensions that are existing there. Even without any irritation from the Soviets, the internal and external dissensions there are very, very great.

However, from the standpoint of our mission and from the standpoint of the mission of the free world, we want that settled and if there is any encouragement that the United States can give, we are for it.

Mr. FULTON. Of course, there are several problems. There is a continuing civil problem and progress. There is the refugee problem and there is the military problem.

Now, if we limit ourselves to the military problem, do you think it might be possible to start with some sort of a Middle East Pact with, say, Greece and Turkey as a base? Even Lebanon or Israel added in and whatever countries would come into that and work with a group of countries militarily.

General GRUENTHER. You were out, sir, answering the roll call when that question came up before. There are two ways, in general, of handling the Middle East problem. One is to have a separate pact, not in NATO, and the other is to have some kind of an arrangement under NATO. There are disadvantages to both. Neither one of them is a clean-cut solution.

(Discussion off the record.)

Mr. FULTON. Do you think the Israeli Army is a good, cohesive, effective force?

General GRUENTHER. It is coming along pretty well.

Chairman RICHARDS. I would like to say to the gentleman that the general testified on that extensively awhile ago and it is in the record; but you can go ahead and answer it again.

Mr. REECE. May I ask, Mr. Chairman, the general what he thinks is the basis for this intense feeling on the part of some of the countries toward the admission of Spain into NATO?

General GRUENTHER. It is political almost entirely. Franco, in their opinion, has been against the things which they have been standing for. He started out as a dictator, in their estimation.

Mr. REECE. Has not Tito been equally antagonistic to their interests and deep political views?

General GRUENTHER. Yes; they do not quite reason it out on that and I would say this: If war came, there would be no argument at all about associating with Spain. Tito is closer to the firing line. They have more faith that Tito will fight than they have that Franco will fight. I am giving you some of the reasons, not that I necessarily agree with them.

Mr. REECE. There has been done a very good job of building up Tito psychology. He was very unpopular in this country. Now he is pretty well accepted militarily.

Mr. ROOSEVELT. Speak for yourself, Mr. Reece.

Mr. REECE. Militarily, at least, we are cooperating. We are beginning with Spain and there seems to be no question that she will cooperate. But there is still some question about what Tito might do in the event of emergency. I take it you feel that he would fight?

General GRUENTHER. I feel that his separation and his falling out with the Soviets has been real.

Mr. REECE. Self-interest would impel him. On the other hand, there seems to be no question about what the Spanish would do. They have an intense hatred of communism and they are basically and historically good fighters.

We have pretty well submerged and obliterated any feelings we have had toward our former enemies, Japan and Germany and on and on. It is quite unfortunate that other nations are not able to do the same thing.

General GRUENTHER. The world is not quite that perfect.

Mr. JAVITS. I have not been here. Could I ask my question? I do not know whether it is my turn or not.

Chairman RICHARDS. We are just talking around the table. I recognize you now.

Mr. JAVITS. General, I would like to go a little further with this Yugoslav-Spain thing and try to put it in one question. Those of us who favored the Yugoslav food aid which was the only bill we have had before us—of course we have now a bill for military aid—are faced with a difference in the attitudes of our European allies on these two issues.

Now, assuming that both are economic warfare and military preparation, just the most pragmatic possible basis, could you give us in as few words as you wish or as many as you wish the differences which would or should impel us to back aid for one and not for the other, or both, purely on the pragmatic, economic warfare and military warfare base.

General GRUENTHER. Well, my personal view is that we should back aid for both of them; that they both have a military value; that we are trying to achieve a posture of strength and that the advantages in favor of getting the strength attributes in both of these countries outweigh the disadvantages, admitting that there are disadvantages in both cases.

Mr. JAVITS. Do you see any difference, General, in our handling of both? We have given Yugoslavia economic aid and we are about to give them military aid. Of course, Spain the Congress just gave a loan to which is in a sense economic, and I assume that now Congress may go to more economic aid and military aid. Do you see any question of treatment as between military and economic or in administration as making any difference in the situation or should we just go at it pretty much on the basis of what we think we need to do?

General GRUENTHER. I would want to be sure in both cases that we are going to get value received from the price we pay. If we are wanting facilities, services, accommodations, from Spain, I would be quite interested in what the other side of the quid pro quo is going to be because there is such a thing as paying too much. Similarly, with respect to Yugoslavia.

Now, my own feeling is this: That the break between the Soviets and Yugoslavs has been so very definitely sharp that there is no question about their fighting.

Mr. JAVITS. I might say to you that in political terms I think it is the biggest break we have had in the whole struggle with the Kremlin second only to the fact that in Korea we showed we would fight to repel armed aggression, which is equally important. And the thing that I would like to know from you, and it is very important in my own thinking because I have been against the Spanish thing and I

am now critically examining what my own position should be under existing conditions. The thing that will influence my position is advice like yours on the harsh, grim, military facts, one; and the next question that I would like to ask you, if you feel you have covered that, is what effect do you think our relations with Spain will have upon our allies in Europe? They are hollering about it and does it really sink in deep or is it just for the record?

General GRUENTHER. I am not sure whether it is going to sink in and hurt.

(Discussion off the record.)

Mr. REECE. Will the gentleman yield?

My father told me as a child that if you see a black snake, hit it with a rake or a hoe or any instrument available.

General GRUENTHER. That is the theory on which I am proceeding.

Mr. JAVITS. I saw you in operation in Italy and not only on the military side. You may have forgotten, but I have not—I was much instructed when we called on you—but also on the political side. I am asking you these questions advisedly. I think you are a pretty good judge.

General GRUENTHER. Thank you, sir.

Mr. JUDG. Has the government of which this labor man is representative had such terribly strict scruples about recognizing and sending oil and rubber and everything else under the sun to Communist China which is certainly engaging in atrocities as bad as anything Franco or Tito or Stalin himself ever thought of?

General GRUENTHER. The Government from which this laboring man came was the United States Government.

Mr. JUDG. I think you did not answer Mr. Javits' question. He asked if the Europeans—

Mr. JAVITS. I asked if the General felt that it would break down. I wanted the General's view. He says he did not think so.

(Discussion off the record.)

Mr. JUDG. I want the judgment of some of the European laboring people, or persons representing those labor governments, because they have got to determine this matter in the last analysis on some other basis than a choice between desirables and on something other than a theoretical basis—there are survivals at stake.

General GRUENTHER. That is right.

Mr. JAVITS. I have one other question that related to another area, if we may switch the gears now, and that is to this Near East. I was not here all day and I know you will not duplicate and I do not want to impose on my colleagues; but the point of Mr. Fulton's question and the point of my interest in this question of the Israeli Army is this: This is a perfectly open secret—a provision is made for the Near East—and an effort will be made to materially increase that, with the feeling that the increase will go to Israel and that effort will have a lot of backing; one of the strong arguments for that is that in view of the military weakness of the Near East an effective Israeli force in being is of great importance to American security.

Now, whether yes, no, or maybe on that is something, of course, that I would like to hear from you; and if you have covered it, I apologize and withdraw it. But if you feel you would like to add anything to what answers you have made, I would appreciate it.

General GRUENTHER. I have not covered it and I would prefer not to because I do not feel I am well enough informed on that. This is a fact, that the Israeli military force is becoming quite a factor. They are developing militarily pretty well. But I think what has to be decided as a matter of American foreign policy is going to be how the Israelis are going to get along with their neighbors or how their neighbors are going to get along with them.

What I am personally hoping is that enough leadership can come out of this so that we can get some kind of a quiescent situation there, and I would really like to hope that we could get a cooperative situation between the two sides because then the military side would be solved.

(Discussion off the record.)

Mr. FULTON. Could we broaden the scope of that along those lines for the area? That is, along the lines that we were speaking of, of military force, broadening it to the area rather than the Israeli force and these are the Arab forces—take the Middle East area and then compare it, for example, to the importance of Yugoslavia on that flank salient. Is not the Middle East just about as important to us as an area as it is for us to defend Yugoslavia?

General GRUENTHER. The Middle East is an extremely important area; very, very important, and we must find a solution there.

Now, that is a challenge and I think you gentlemen have a great responsibility.

Mr. FULTON. So that those of us who do not choose between the Arabs and Israelis who want to find a high level of living in that area and getting along together, is not that Near East area necessary for the defense of Europe. We cannot hold Europe—or putting it in converse—can you, without holding the Middle East, too, because that will leave your southern flank open.

General GRUENTHER. That is probably true. It is not absolutely true but it comes pretty close to being true and in any case, unless other oil reserves are found, aside from the question of the flank, the question of Middle East oil is one that is of very, very great importance. If you go into a war situation where you hold some place where we were trying to show this morning then you need Middle East oil very, very badly. Paradoxically, if Europe is overrun, you do not need Middle East oil so much.

So aside from the question of being outflanked, there is a very, very great necessity for holding the Middle East.

Mr. FULTON. So then there are two reasons for holding Europe, as defense for the Near East and as a vital segment of our plan. The first is on the motive power to move the machinery and the equipment that you will use in Europe; and secondly, to hold the southern flank against an attack and against the Soviet coming down through the southern Mediterranean littoral.

Mrs. BOLTON. May I ask a question at that point? Would the gentleman yield for a question?

Mr. FULTON. Yes.

Mrs. BOLTON. As I listened to you, I had the feeling that you do not feel it is entirely a matter of an army friendly to us in that particular area that is important. I have gathered that you consider it of vital moment that the whole area be friendly with itself because if it explodes within its own borders, the situation would be exceedingly dangerous to the entire world.

General GRUENTHER. That is what I was trying to say. That is No. 1 priority.

Mrs. BOLTON. It is agreed in the tripartite agreement that the receiving countries are not to use the armies so secured against each other. Do you know of this agreement?

General GRUENTHER. I am not familiar with that. That is outside of our area.

Mrs. BOLTON. On that basis, then, the fact that Israel has a trained and equipped army does not necessarily mean that there would be protection in that fact against anything that might happen within the Near East area itself, nor does it mean that it is only the Russians that are dangerous to peace.

General GRUENTHER. When Mr. Javits was asking the question, the point was, when he was asking me a yes, or no, or maybe, I said before I would answer that, I would want to look at this other one.

Mrs. BOLTON. I wanted to be sure I understood your answer.

Mr. FULTON. May I finish on that point?

Chairman RICHARDS. Mr. Roosevelt had a question. I did not mean to interrupt you.

Mr. FULTON. On that particular point, has it not been said that one of the troubles with France was that she was indulging in the luxury of having two fears when she had better, in these times of austerity, limit herself to the one greater fear? As an American citizen, I think that is exactly right. I think that is the case for all of us in America. We had better face the greater danger.

At this time, the Middle East is quiescent. It is not greatly disturbed as between Israel and the Arabs. So that if we look to what might happen, we are talking of conditions and possibilities that at this time we do have the Russian menace threatening us according to General Marshall more than ever. If we can find some way that is open to have both the Israelites and the Arabs on our side against the Russians, don't you think you had better try to get it?

General GRUENTHER. By all means.

Mr. FULTON. If it means implementing an army or armies in that area with proper agreements to insure the security of the area within itself, we had better try to implement because it is such a vital salient; is that no correct?

General GRUENTHER. Yes; I agree with that, again coming in with that reservation which I made that if in taking one side or the other you have created conditions which caused a great disturbance there, then I would want to take a look, another look at it; that is the only thing I was bringing up. I do not think I am in disagreement with what you are saying.

Mr. FULTON. If you recall, in Greece we had moved in with a military mission that pretty well kept in touch with what was going on through the country and with what they were doing with the aid.

In addition, in Turkey we moved in with a military mission which did likewise.

In China, we did not, which was a very great mistake, in my opinion.

Now, transporting that thought to the Middle East, would it not be possible through a military mission on the order of either Greece or Turkey, United States military mission, to check and watch and see that any defense material supplied was used for the right purpose?

General GRUENTHER. It might be a good idea. I am not sure how feasible it would be. I suppose some arrangement could be worked out.

Chairman RICHARDS. I want to remind the committee it is getting late and we have not gotten around to Siam yet.

Mr. FULTON. I yield to Mr. Roosevelt.

Mr. ROOSEVELT. Mr. Chairman, let me say to the general, if you have answered this or covered this ground before while I had to be out of the committee, please skip it.

(Discussion off the record.)

Mr. ROOSEVELT. It seems to me that before they could ever start on any of these arrows up here, they would have to eliminate the exposure on there southern flank which is Yugoslavia and preliminary to any Western European offensive would be a satellite operation against Yugoslavia if for no other purpose than to tie it up.

General GRUENTHER. From that standpoint, I am in complete agreement, but it would be part of the general move.

When I was talking about the satellites, I was talking about the type of attack where the Soviets could hold back and take no part in it. If they decide to attack they may have a satellite to take on a certain sector, Yugoslavia very definitely being one such sector. But I gave it as my view that I did not think that the Soviets would be able to get by with another satellite attack while everybody stood by and said, "Let them fight it out." I think it would be a matter for consideration of the governments as to whether they would let them get by with it.

Mr. ROOSEVELT. It almost follows that an attack on Yugoslavia by any one of her satellite neighbors really should be properly considered the beginning of No. 3.

General GRUENTHER. Very close to it. Here is the point: the satellite neighbors don't have the strength to put it across at the moment. Unless they get very much stronger, they are not going to be able to succeed on that. So the Soviets are going to have to help for that. That situation can change and will have to be completely reviewed. But I would say if there is a satellite attack against Yugoslavia, we are very close to world war III.

Mr. ROOSEVELT. What would be the reaction today on the part of the British and French particularly to going immediately to the aid of Yugoslavia? Would they do that? Italy, I assume, would be shouting, let's go and help them because—

General GRUENTHER. Again, at this time, I do not know what the reaction would be.

(Discussion off the record.)

Chairman RICHARDS. Are there any other questions, ladies and gentlemen?

(No response.)

Chairman RICHARDS. Thank you, General Gruenther. We appreciate the beginning of your testimony as well as the ending and all in between.

I want to ask all committee members to stay here just a minute in executive session. We will try to get away from here. We are going to find where we are.

General GRUENTHER. Good luck to you all; I have enjoyed seeing you.

Chairman RICHARDS. Thank you, General.

(Whereupon, at 4:45 p. m., the committee continued in executive session off the record.)

APPENDIX

OFFICE OF THE SECRETARY OF DEFENSE,
Washington, D. C. July 30, 1951.

HON. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: I have been advised by staff members of your committee that you are interested in information concerning end items in the Department and Mutual Defense Assistance Program budgets. I am pleased to furnish you with such information.

There are attached two tables which show information on major procurement and production included in defense budgets and the value of end-items in Mutual Defense Assistance budgets by fiscal years. Major procurement and production categories as a basis for preparation of budget requisitions in the Department of Defense are not available for fiscal year 1949 and prior years; this one of the major categories in the Department of Defense budget covers only new equipment items and does not include the maintenance of existing matériel, the provision of ammunition for usage, nor the spares and minor components which are procured to support equipment and facilities in service. For the fiscal year 1951, analysis has been made of the total funds available for procurement in the separate table which is attached and shows the relationship of funds available for obligation and funds obligated as of May 31, 1951. For convenience, the report excludes certain categories of production and procurement for the military departments in which MDAP is not a claimant for production or has only minor requirements. The total of all procurement and production funds for the military departments for fiscal year 1951 as of May 31 was \$34,592,000,000 and the total for MDAP as of the same date was \$4,633,000,000.

Sincerely yours,

S. L. SCOTT,
Major General, United States Army,
Director, Office of Military Assistance.

TABLE A.—Major procurement and production costs in defense budgets

[In millions]

Fiscal year	Requests	Appropriations
1949.....		\$3,864
1950.....		2,567
1951.....	\$3,017	22,632
1952.....	22,632	29,743
Total.....	55,412	29,127

TABLE B.—End-items in MDAP budgets

[In millions]

Fiscal year	Request	Appropriations	Obligations
1950.....	\$978	\$978	\$974
1951.....	4,293	4,293	3,823
1952.....	5,717		
Total.....	10,990	5,273	4,797

TABLE C.—Department of Defense, total funds available and obligations for procurement in fiscal 1951, by major procurement programs, as of May 31, 1951—Regular and MDAP funds

Procurement programs	Millions of dollars						Percent obligated		
	Funds available for obligation			Obligations to date					
	Regular	MDAP	Total	Regular	MDAP	Total	Regular	MDAP	Total
Aircraft.....	8,744	1,152	9,896	8,412	937	9,349	96	81	94
Ships.....	1,195	329	1,524	639	161	800	53	49	52
Tank, automotive.....	3,957	1,520	5,477	2,816	1,314	4,130	71	86	75
Weapons.....	560	397	957	395	304	700	71	76	73
Ammunition.....	3,475	359	3,834	2,559	310	2,869	74	86	75
Electronics and communications (separately procured).....	2,587	527	3,114	2,507	257	2,764	70	49	68
Miscellaneous, total.....	3,139	198	3,337	2,461	84	2,545	78	42	76
(c) Construction equipment.....	637	76	713	441	59	500	70	78	71
(d) Medical and dental supplies and equipment.....	202	4	206	170	2	172	84	50	83
(e) Other.....	2,310	118	2,428	1,830	23	1,853	80	19	77
All other procurement and production.....	9,945	156	10,101	6,309	7	6,316	63	5	63
Total, procurement and production.....	24,592	4,638	29,230	26,101	3,374	29,475	78	73	75
All other activities.....	14,194	429	14,623	11,053	227	11,280	78	50	78
Grand total.....	48,786	5,067	53,853	37,154	3,601	40,755	76	71	76

OFFICE OF THE SECRETARY OF DEFENSE,
Washington, D. C., August 7, 1951.

HON. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. RICHARDS: In the hearing before your committee on July 2, 1951, Mr. Herter requested information with respect to training programs under the Mutual Defense Assistance Act.

Although information has been furnished to your committee in this regard, I am attaching more complete information with respect to this subject which may be inserted in the record.

Sincerely yours,

S. L. SCOTT,
Major General, United States Army,
Director, Office of Military Assistance.

Attachment.

Secretary of Defense—Status of obligations for MDAP training programs
cumulative through May 31, 1951

	Total	Training in United States schools	Other
Title I.....	94,723,438	19,294,304	5,429,134
Army.....	1,751,866	773,500	978,366
Navy.....	7,679,047	4,539,108	1,139,939
Air Force.....	15,292,525	11,981,696	3,310,829
Title II.....	2,047,262	772,103	1,274,159
Army.....	672,015	334,487	337,528
Navy.....	664,793	87,468	577,325
Air Force.....	810,454	350,148	460,306
Title III.....	968,168	214,479	753,689
Army.....	312,311	80,317	231,994
Navy.....	331,463	3,721	327,742
Air Force.....	324,394	122,434	201,960
Total.....	37,738,868	20,261,679	7,456,989

NOTE.—Title IV not included as there were no programs for 1950-51.

Secretary of Defense—Summary of estimated budgets, MDAP, training requirements, comparative estimates, by titles and services

	Total training			Formal training			Other training		
	1950	1951	1952	1950	1951	1952	1950	1951	1952
Title I.....	4,255,512	29,835,357	30,256,443	3,274,900	26,253,152	27,699,465	980,522	3,582,205	2,556,978
Army.....	564,772	4,158,518	2,345,303	547,556	2,478,149	1,530,692	17,216	1,679,869	814,701
Navy.....	603,788	6,570,198	8,211,499	590,105	6,120,196	8,053,597	15,693	450,002	157,872
Air Forces.....	3,086,952	19,106,141	19,699,581	2,137,329	17,656,807	18,115,176	949,623	1,452,334	1,584,405
Title II.....	776,807	4,704,937	4,261,193	819,691	3,529,657	2,699,361	¹ -42,884	1,175,290	1,681,832
Army.....	40,676	1,701,439	2,581,248	40,614	1,156,873	1,660,573	62	544,566	920,675
Navy.....	480,000	1,793,488	688,925	470,000	1,490,511	442,428	10,000	332,977	246,497
Air Forces.....	256,131	1,210,010	981,020	309,077	912,273	596,360	¹ -32,946	297,737	414,660
Title III.....	98,343	2,073,166	2,652,773	45,397	1,703,400	1,294,881	62,946	309,756	1,257,892
Army.....	2,262	510,831	1,278,005	2,262	399,792	482,906	-----	111,039	795,005
Navy.....	-----	640,916	405,671	-----	460,166	315,507	-----	171,750	90,164
Air Forces.....	96,081	921,409	869,099	43,135	834,442	496,466	62,946	86,967	372,633
Grand total, all titles.....	5,130,662	36,613,450	37,969,409	4,140,078	31,466,209	31,663,707	990,584	5,127,241	5,396,702

¹ Comparative transfer from title III.

NOTE.—Title IV not included as there were no programs for 1950-51.

DEPARTMENT OF STATE,
Washington, July 20, 1951.

The Honorable JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives,
Washington, D. C.

DEAR MR. RICHARDS: In my testimony before your committee on July 12, Mr. Mansfield asked me (p. 599 of transcript) to furnish a statement with regard to the role of United States representatives abroad. Accordingly, I now forward you a statement on this, prepared for me by the Treasury Department. I am forwarding a copy of this statement to Mr. Mansfield.

Yours very sincerely,

THOMAS D. CABOT,
Director, International Security Affairs.

UNITED STATES TREASURY REPRESENTATIVES ABROAD

For many years the Treasury Department has maintained offices in selected places overseas staffed by personnel of its administrative and investigative bureaus. In the early days of World War II, when the United States began to assume a dominant role in the world economic and political picture, the financial interests of this Government in world affairs expanded accordingly, and it was found necessary to establish offices staffed by financial policy officials. These officials, who bear the title "Treasury Representatives," are members of the Treasury's Office of International Finance. They represent the Secretary of the Treasury in a few foreign capitals in which the United States Government has a particular financial interest and usually act as the principal financial officers on the respective Ambassadors' staffs. The primary responsibility of this professional staff is to keep the Secretary of the Treasury, the Department of State, and other interested agencies of the Government, fully and promptly informed with respect to major financial questions arising between foreign governments and the United States.

It is the considered policy of the Treasury to limit the number of its overseas offices and to maintain the maximum flexibility in opening and closing offices—always, of course, in consultation with the Department of State. As of July 15, 1951, Treasury representatives were stationed in only nine capitals: London, Paris, Rome, Brussels, Frankfurt, Stockholm, Cairo, Tokyo, and Manila. Their offices are small; 16 financial economists comprise the whole of the professional staff stationed in these 9 centers. The size of the staff, and the places in which offices are located, have varied from time to time. During the war period, for example, Treasury officials acted with the commands in the theaters of operation around the world on military currency problems, exchange problems, and inter-governmental accounting associated with military activities. This relationship between the military and the Treasury has continued in the principal occupied countries in connection with rehabilitation programs for such areas, currency reform, and conversion operations, exchange systems, property and claims questions, and other subjects.

Broadly speaking Treasury representatives are stationed in two kinds of country—those containing highly developed, important international money markets of the sort which can have a significant influence on the pattern of world exchange rates and the course of financial affairs generally; and those, on the other hand, which, while not important in the world money market, are of particular concern to the United States Government. Typical examples of these two types of post are London and Manila, respectively.

Treasury representatives are selected primarily for their special competence in domestic and international monetary, banking, and exchange problems. Experience and training in this field have in recent years been of growing importance to the foreign policy of the United States. Thus the Treasury representatives, while maintaining their primary function of Treasury employees reporting to the Secretary of the Treasury, have been able to be of service to other agencies of the Government. Their continuous contacts with the finance ministries of the countries in which they are stationed have added to their ability to render such services. For some years past Treasury representatives have served as financial advisors to our ambassadors, and have as a result become members of the respective embassy teams. A similar evolution took place later with the advent of the ECA mission overseas. Under an arrangement requested by Ambassador Harriman in June 1948, the Treasury representative

in a country to which an ECA mission is assigned normally acts also as finance officer of the ECA mission. Similarly, Treasury representatives have acted as advisers to the chiefs of military occupation organizations. The consolidation of functions embodied in these arrangements provides a single point of contact with foreign officials on financial matters, resulting in what might be described as built-in coordination of the interests of the Treasury, Department of State, and ECA in the financial aspects of the foreign-assistance programs. The arrangement also has done much to overcome the difficulties which otherwise would have been created for the foreign-assistance programs by the scarcity of qualified senior financial men available to the Government.

The functions of the typical Treasury representative at present are therefore threefold:

1. In his primary capacity as the representative of the Secretary of the Treasury, he maintains liaison with the Minister of Finance of the country in which he is stationed. He acts as a channel of information and views on subjects with which the Secretary is concerned as the Cabinet member having primary responsibility for the financial affairs of the Government. In addition to the traditional interests of the head of a national Treasury, the Secretary has, in recent years, acquired responsibilities because of his position as United States Governor of the International Monetary Fund and the International Bank for Reconstruction and Development and his duties as chairman of the National Advisory Council on International Monetary and Financial Problems. The Treasury representative confers with the Finance Ministry concerning foreign-exchange rates, the country's gold and dollar reserve position, exchange restrictions and practices, and the terms and conditions of United States' assistance. He advised other departments and agencies of the United States Government (e. g., Army finance officers, Federal building operations officers, etc.) concerning appropriate exchange rates, overseas banks authorized to be depositories for United States Government funds, consistency of proposed operations with over-all financial policy of the United States Government; etc. When requested, and where appropriate, he advises foreign governments concerning the institution and management of improved currency and banking systems.

2. As a member of the Embassy team the Treasury representative advises the Ambassador concerning the broad range of domestic and international financial conditions of the country to which the Ambassador is accredited. Furthermore, he normally acts as the financial attaché in the economic branch of the Embassy and usually assumes responsibility for the financial reporting requested of the Embassy. He also assists the consular branch by advising United States citizens, the executive branch of the Government, and the Congress concerning the personal problems which American citizens encounter as a result of the exchange controls of the country concerned. His constant contacts with the Finance Ministry of the country in which he is stationed give him a peculiarly helpful background for performing these services.

3. As the finance officer of the ECA mission he performs similar advisory duties for the chief of that mission and negotiates with the government concerned on such matters as counterpart policy, budgetary and tax reform, general monetary policy, and other matters relating to the financial stability of the country receiving ECA assistance. In cases where the representative is stationed in an occupied country, he similarly advises both the military and political representatives of the United States Government on financial matters.

Treasury representatives are stationed in four key NATO countries—the United Kingdom, France, Italy, and Belgium. The current change of emphasis from economic recovery to strengthening defense in the NATO area has caused a corresponding shift in the emphasis, but not the field of activity, of the Treasury staffs in these countries. They act as financial advisers to the Embassy-ECA-MAAG teams at the country level. This latest development reflects the fact that financial considerations are one of the primary limiting factors to a rapid buildup of European defense programs.

In the Middle East, and to a lesser extent in the Far East, Treasury representatives operate on a regional basis, being on call for consultation as needed in a number of different countries. For several years they have conferred with various governments in these areas concerning basic financial problems such as the formation of improved monetary systems, the issuance of new types of currencies, the development of banking systems, the operation of budgets, and the revision of tax systems. While no representatives are permanently stationed in the foreign capitals of the Western Hemisphere, Office of International Finance officials are available to visit these other capitals when and as required.

DEPARTMENT OF STATE,
Washington, D. C., July 23, 1951.

HON. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D. C.

DEAR MR. RICHARDS: In my testimony before your committee on July 12, Mr. Roosevelt raised certain questions (p. 644 of the transcript) regarding further information on the organization of the Mutual Security Program. I am, therefore, enclosing a supplementary statement and am forwarding additional mimeographed copies to all of the Members of your committee.

Yours very sincerely,

THOMAS D. CAROT,
Director, International Security Affairs.

SUPPLEMENTARY STATEMENT BY THOMAS D. CAROT

In response to the request of Congressman Roosevelt at page 644 of the transcript, I am glad to submit a supplementary statement of my personal views on the question of the organization of the Mutual Security Program.

The committee has received a wide variety of testimony on the subject. This is not surprising, in that the problem is a difficult and complex one and one on which the experts have disagreed.

On the one hand, the Rockefeller and Gray reports recommend that various overseas economic operations be combined in one agency, but specifically exclude from the functions of this agency the military end-item program which constitutes the bulk of the proposed Mutual Security Program. Mr. Rockefeller in his testimony gave particular emphasis to the distinction. Mr. Paul Hoffman's testimony was interpreted in some quarters as favoring a single agency which would include military and economic aid functions, but I believe his testimony at pages 801 and 811 of the transcript indicates that he was in at least considerable doubt on the point. The Brookings Institution, after the most careful study, has made recommendations to which I believe the committee will want to give the most careful consideration. After analyzing the different kinds of activities which go into the formulation and implementation of economic and military assistance programs, it recommends a multiagency operation in which the State Department has the central role. The Committee on the Present Danger has made a proposal which has been interpreted as calling for a single agency for both the military and the economic aid programs, but actually its proposal contemplates that the Defense Department would continue to perform important operating functions with respect to end-item assistance and its report also recognizes the need for an interagency committee to facilitate interagency coordination and agreement.

In this supplementary statement I do not wish to repeat the substance of my prior statement, which outlined in some detail the manner in which the present organization functions. My purpose is rather to clarify the issues on the question of organization in the light of the various statements and reports which are before the committee.

I start with some basic propositions which should clarify the nature of the problem. The first four propositions I do not suppose any one would quarrel with. The others seem to me inevitably to follow.

AGREED PROPOSITIONS

A. The Department of Defense determines military questions subject only to the President; no other agency should be given authority over the Department of Defense on military questions.

B. The administration of a military-aid program requires constant military decisions, with respect to requirements, capabilities, priorities, etc. It also requires the services of the military procurement agencies and military personnel abroad.

C. The State Department determines foreign policy subject only to the President; no other agency should be given authority over the State Department on questions of foreign policy.

D. The administration of a military- and economic-aid program requires constant decisions on questions of foreign policy.¹

¹ Illustrations of the kind of foreign policy questions which arise from day to day in the administration of this program are given at pp. 11-12.

COROLLARY PROPOSITIONS

X. Since the Defense Department must be the operating agency for military end-item aid, at least two operating agencies are needed: Defense, and one other. A single operating agency for the whole Mutual Security Program is thus impossible.

Y. The Defense Department is also inevitably involved in the top administration of the foreign aid program to the extent that military questions are involved.

Z. The State Department is inevitably involved in the top administration of the foreign aid program to the extent that foreign policy questions are involved.

CONCLUSION FROM THESE PROPOSITIONS

No one person or agency (except the President) can be given the whole responsibility for the foreign-aid program or the authority to run it.

THE PROBLEM

In the light of these propositions, the real nature of the problem becomes clear. It is, how best (a) to coordinate the work of the agencies involved, (b) to get decisions where there is disagreement among the agencies, and (c) to provide leadership for the program as a whole.

This is essentially the problem for which various solutions have been proposed both in testimony before this committee and in written reports.

ALTERNATIVES

As listed by Mr. Foster, the four principal alternatives are—

(1) Create a new agency which would have the central role in the entire aid program, including military end-item aid, and would be the operating agency for economic aid. The Defense Department would continue as the operating agency for end-item aid. (This is the Committee on the Present Danger proposal.)

(2) Make the Secretary of State responsible on behalf of the President for the coordination and leadership of the whole program through the mechanism of an interagency committee chaired by a top-rank State Department official responsible directly to the Secretary. The Defense Department and ECA (or a successor agency) would continue as the main operating agencies. The State Department would not be an operating agency, except for certain technical-assistance programs. (This is the present system and is the one proposed by the executive branch.)

(3) Create an economic operating agency which would perform ECA's present functions and would also have additional functions in the overseas economic field now performed elsewhere in the Government, such as all claimancy, foreign materials development and procurement and all technical-assistance programs. (This would be consistent with the Brookings, Rockefeller, and Gray recommendations.) Military assistance and the coordination of military and economic assistance would presumably be handled as in (2).

(4) Create a Department of Foreign Affairs, comparable to the Department of Defense, with four subordinate departments responsible to it, concerned with military, political, economic, and informational activities.

There has also been suggested a fifth alternative:

(5) Create a small coordinating agency responsible directly to the President, which would coordinate and give direction and leadership to the Defense Department, to the State Department, and the economic operating agency.

ELIMINATION OF THREE ALTERNATIVES

Alternatives (3), (4), and (5) may be eliminated at the outset from further consideration, for different reasons.

Alternative (3) is really only a variation of alternative (2) and need not be considered as a separate alternative. I personally do not wish to express an opinion either for or against expanding the responsibilities of an economic-aid operating agency to include related activities. To do so would only distract from the central issue which is here presented; i. e., the method by which military aid and economic aid should be coordinated with each other and with the conduct of our foreign policy.

Alternative (4)—that of creating a Department of Foreign Affairs with four subsidiary departments—was mentioned both by Secretary Acheson and Mr.

Foster in their testimony, but neither of them indicated that he was prepared to support it as of today. In my opinion, such a major reorganization of the executive branch of the Government could hardly be accomplished in the time available for consideration of the proposed Mutual Security Program. Accordingly, I do not believe it is sensible to consider it now as a practical alternative.

Finally, alternative (5)—the creation of a superagency coordinating office—should also be eliminated from consideration at this time. While in some respects this plan seems to me superior to the idea of putting the central responsibility in the economic operating agency, it does have obvious disadvantages. One is that it would mean adding another entity to the three which are already intimately involved. Another is the anomaly of creating an agency which appears to be on a higher level than the Defense and State Departments with respect to part of their activities.

INTERAGENCY COMMITTEE A NECESSITY

Before considering further the two alternatives remaining, I wish to point out that in either case it would be necessary to make use of the committee device to insure interagency coordination and agreement. A program as complex as the foreign-aid program inevitably gives rise to differences of opinion among the agencies concerned with the program. Since it is obviously impossible to submit all these differences to the President for resolution, the solution is to provide a constantly available forum where the differences can be threshed out and settled. For this purpose the committee device is really the only one available, much as some of us may dislike "government by committee."

The committee should not consist of the agency heads themselves who simply do not have the time to meet regularly, but should be composed of top officials responsible directly to the agency heads and clothed with the authority to make decisions that will stick.

I do not believe there is any disagreement among those who have studied this problem as to the necessity for such a committee. It was recognized by the Committee on the Present Danger. The question might arise in the minds of the committee as to why no such committee was necessary in the case of the ECA, but, as I shall point out below, the organization problems involved in the ECA and in the presently proposed Mutual Security Program are radically different in a number of respects.

THE REMAINING QUESTION

I hope that in the preceding pages I have been able to clear away some of the confusion that has existed in the discussion of this organizational question. If my conclusions thus far are sound, the remaining question is a relatively narrow one. Although it is not an easy question and one upon which reasonable men can and do differ, it is also a question which is not as significant as might have appeared at the outset.

The question simply is: "Granted that the Defense Department, the State Department, and an economic operating agency are all necessarily involved, who should be the chairman of the interagency committee that must make the broad decisions, and who should in his person provide the focal point for the program as a whole?" The choice narrows down to two: the administrator of the operating economic agency or a top-rank official in the State Department.

THE ANSWER

The answer, in my opinion, is that because the entire program is a vital part of our national foreign policy and because the main questions arising in the course of its administration are foreign policy questions, the Secretary of State must be the central figure in the program. Since he himself cannot devote full time to the job, he must delegate the responsibility to an individual who will be directly responsible to him.

ECA SET-UP NOT A PARALLEL

The advocates of giving the economic operating agency the key role in the program point to the precedent of the ECA. They argue that the ECA was just as much a function of United States foreign policy as is the proposed Mutual Security Program, and that it was given status independent of the State Department in the face of warnings that "there cannot be two Secretaries of State," and that, in spite of these warnings, the operation was a success.

There are, however, various circumstances which make the mutual security program problem radically different from the ECA problem:

(1) The basic policy under which the ECA operated was relatively simple and was defined in the Act in specific terms. Accordingly, it was possible for the ECA to operate within the framework of that policy. In the case of the Mutual Security Program, however, the underlying policy is far too general to provide adequate direction for an independent agency, and the implementation of this broad policy involves constant day-to-day foreign policy decisions. For example:

(a) Country A says it cannot make any greater defense effort. The United States experts believe it could, but recognize that its cabinet has a political problem and may well fall if it is pushed harder. A change in cabinet would not necessarily be for the better. What to do?

(b) Country B occupies an area the United States is determined shall be denied to the Communists, but its government has a record of corruption and waste. How far and by what means should the United States seek to establish budgetary and fiscal controls?

(c) Country C is receiving military and economic assistance. A Communist coup appears to be imminent. Do we cut off aid?

(d) There is evidence that country D, which is receiving aid, is siphoning off Government funds in an effort to "fix" an election in which the Communists offer a major threat. What do we do?

As these examples make clear, the situation in each recipient country is different and is constantly changing. Accordingly, our specific policies with respect to aid programs must be varied, dynamic, and flexible. Thus, it would be impossible to provide a reasonably stable policy framework, such as was implicit in the Marshall plan, within which an agency independent of the State Department could "operate."

(2) A second major difference between the Mutual Security Program and the ECA is that in the latter case, while certain types of action were expected of recipient countries, the process for them was not too painful. The MSP, however, requires constant efforts on our part to encourage recipient countries to increase their own defense efforts. The result is almost continuous negotiation, which is carried on coincidentally with negotiations for other ends. For example, we may simultaneously be endeavoring to persuade a particular Government to take a certain position with respect to the rearmament of Germany, to work for the admission of Greece and Turkey into NATO, to concede certain base rights or military privileges to the United States, to take action in a colony looking toward a greater measure of independence for its peoples, to reduce trade barriers, to send more troops to Korea, to take certain action in the UN, to provide aid to Yugoslavia, etc., etc.

It seems clear that all of these negotiations must be in the hands of the State Department, that the State Department must decide strategy and tactics with respect to them, and must determine relative priorities in the objectives for which we are negotiating. Yet it would obviously not be wise to give to any agency the central role in the foreign-aid programs without giving it authority to negotiate with recipient countries.

(3) Perhaps the most striking difference between the ECA set-up and the Mutual Security Program is the vital role played in the latter by an international organization of which the United States is a part, namely the North Atlantic Treaty Organization. While the ECA operation involved dealings with the OEEC, we have never been a member of that body and its functions have been far more limited than those of NATO. The nature and extent of our contribution to the collective defense effort in Europe is much influenced by the determinations of this international organization. At the same time, the NATO Council of Deputies and Standing Group are constantly confronted with questions affecting our over-all military and foreign policy, so that our representatives necessarily report to the State Department and the Defense Department.

These differences can perhaps be summed up by saying that economic operations were at the heart of the ECA program, while negotiations which are essentially political and constantly involve fundamental questions of military and foreign policy are at the heart of the Mutual Security Program. These constant negotiations are at the same time the most important and the most difficult aspect of the foreign aid program. The technical problems of determining military and economic needs, and of furnishing the aid once its character and amount are decided upon, go forward smoothly and with expedition. The most troublesome factors in the program as a whole are political in nature. As

a businessman myself, I feel qualified to say that they are not capable of being dealt with by a single administrator outside the State Department. As was suggested by the "propositions" with which I began this statement, he could not in the nature of things be given the authority to make the decisions that have to be made.

COMPARATIVE MILITARY EXPENDITURES OF WESTERN EUROPE AND OF U. S. S. R. AND ITS EUROPEAN SATELLITES

The military budgets publicly announced for 1950 by the governments of the U. S. S. R. and its European satellites before the outbreak of the Korean War amounted to the equivalent of \$12.5 billion, or 12.5 percent of their total output of about \$100 billion. It is estimated that indirect and hidden expenditures for military purposes, such as materials supplied by various nonmilitary ministries for military purposes, industrial construction for the production of military supplies, and various military items hidden in the budgets of other agencies, amount to an additional \$12.5 billion, bringing the total of \$25 billion (25 percent of the gross national product); the 1951 total is expected to increase another 20 percent—to \$30 billion, or 28 percent of the 1951 gross national product.

The estimated total military expenditures for Western European countries¹ for 1950 amounted to the equivalent of \$7 billion, equal to 5 percent of the total output of those countries—about \$135 billion. The Western European countries plan sharp increases in defense outlays in 1951, but they will still be spending far less than the U. S. S. R. and its satellites. Information is not available for all the Western European countries, but those in NATO are increasing their defense spending by over 50 percent in 1951, and will devote nearly 8 percent of their 1951 gross national product to defense purposes.

The United States estimates of defense expenditures for the fiscal years beginning in 1951 and 1952 represent 7.5 and 14.1 percent, respectively, of the gross national products.

AMERICANS FOR DEMOCRATIC ACTION,
Washington, D. O., July 19, 1951.

HON. JAMES RICHARDS,
Chairman, House Foreign Affairs Committee,
United States Capitol, Washington, D. O.

DEAR CHAIRMAN RICHARDS: I am enclosing two copies of a statement of Americans for Democratic Action with respect to the mutual-security program. I shall be grateful if you will make this statement available for committee consideration by inserting it in the record of your hearings.

Sincerely yours,

JOHN F. P. TUCKER,
Assistant Executive Secretary.

STATEMENT WITH RESPECT TO THE MUTUAL SECURITY PROGRAM SUBMITTED BY AMERICANS FOR DEMOCRATIC ACTION

Americans for Democratic Action, an organization of non-Communist liberals, dedicated to the achievement of freedom and economic security, endorses fully the broad principles of the Mutual Security Program. ADA believes that the primary purpose of American foreign policy must be to relate the United States responsibly and creatively to the common efforts of the free nations of the world to prevent the spread of tyranny, to avoid a global conflict, and to lay the foundations for an ordered world. These objectives are those of the Mutual Security Program.

The Mutual Security Program is another milestone in the development of America's postwar foreign policy. It brings together for the first time in one coordinated whole most of the positive elements of the last 5 years. The Mutual Defense Assistance Program, the Economic Cooperation Administration's opera-

¹ Austria, Belgium-Luxemburg, Denmark, France, Germany (Federal Republic), Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. The figures include, in general, direct military expenditures, plus expenditures for paramilitary troops, atomic energy research, and military stockpiling. The Soviet Orbit estimate, including direct, indirect, and hidden expenditures is believed to be somewhat more inclusive than the figures for Western Europe of the United States.

tions in Europe and in Southeast Asia, the Technical Cooperation Administration in the State Department, the various United Nations relief and aid programs—all are included (and many are expanded) in the present proposal. Of special importance at the present moment is the newest of the programs, the United Nations Korean Reconstruction Agency to which the United States is asked to contribute the modest sum of \$112.5 million. Americans may well be proud of the constructive approach offered in these integrated efforts at bolstering the free world through the common efforts of all its members.

In some respects ADA believes the Mutual Security Program is not bold or imaginative enough. While correctly stressing the overriding need to strengthen the military muscle of Western Europe and other nations on the perimeter of the Soviet world, the President's message fails adequately to emphasize that even after the rearmament job is completed, there will remain the longer-run and vital task of giving economic and technical aid to the underdeveloped areas of the world to help them lift their living standards. Point 4 is no more emergency program; it must be an integral part of our total foreign policy for years to come.

In particular, ADA regrets that the Administration program makes no recognition of the comprehensive report issued by the so-called Rockefeller Board on the economic development of less advanced areas. This report offers a detailed outline of the organization and financing of a far-reaching development program, emphasizing especially the creation of new international agencies. United States sponsorship of such agencies would be a tremendously powerful weapon in the war of ideas. At present many Asians cannot help but look at our point 4 program as merely the tail end of a military policy which they do not yet quite trust. We must make it very clear, in the words of the President, that "the only kind of war we seek is the good old fight against man's ancient enemies—poverty, disease, hunger, and illiteracy."

ADA urges the Congress to act speedily to give life to the Mutual Security Program. We cannot withdraw from the rest of the world; we must not risk all by plunging blindly ahead alone. Security, with justice, for the entire free world means security for the United States.

MEMORANDUM OF COMMITTEE ON THE PRESENT DANGER, WASHINGTON, D. C.,
ACCOMPANYING CHART OF SUGGESTED UNITED STATES ORGANIZATION IN EUROPE

Pursuant to the request of the chairman and certain other members of the House Foreign Affairs Committee, the Committee on the Present Danger submitted on August 3 a draft of a foreign aid bill, and an organization chart showing the Washington organization proposed under it. At that time we promised to furnish later a chart for the United States European organization which had also been requested. This is now submitted herewith.

We have omitted the international organization both because it is confusing to incorporate it in the same chart and because changes in it are a question separate from the present bill.

The object of almost all of the aid to Europe now proposed is to support General Eisenhower as Supreme Commander in erecting a real defense. The adequacy of the United States organization should be judged on this basis, and this must be its mission.

At present, confusion of organization and divided authority rule. That the set-up works is a tribute, not to it, but to the devoted men struggling under it.

A major step is necessary to correct matters. Accordingly, we propose that a new post be created to be called United States Ambassador-at-large for Europe. We propose that this officer wear two hats, reporting as to political matters to the Secretary of State and reporting as to foreign aid matters to the Mutual Security Administrator.

He would need three deputies, one for NATO who would deal with political matters and would be the United States member of the Council of Deputies. The second deputy would be for the Office of European Economic Cooperation (OEEC) and the Finance and Economic Board (FEB) on both of which he would serve as the United States member. The third deputy would be the United States member of the Defense Production Board.

In the draft of the bill submitted on August 3 to the House Foreign Affairs Committee, we described the top-level officer above proposed by the old title of United States Special Representative in Europe, created for the European

top-level post under the Marshall plan. However, since that time the NATO functions have arisen and the two must be kept in step. A new title to make clear that the above office is a new one is, therefore, proposed.

In the bill we have provided legislative authorization for only one deputy, which would be the deputy for OEEC. This is because the United States representative for NATO is already in existence, and because the United States member of the Defense Production Board (DPB) also serves as the head of the special mission of ECA to the United Kingdom so that no new legislative posts for either of them seem requisite. Designation of these men as deputies of a new Ambassador-at-large would be merely an administrative matter which could be done by directive.

Under the above plan, the special missions to the participating countries would report to the new Ambassador-at-large through his deputy for OEEC.

The Joint Military Advisory Group would serve in an advisory capacity to the Ambassador-at-large. The Military Advisory Groups (MAGS) in the different countries would serve as advisers to the special missions of the Mutual Security Administrator in such countries. The chief of each such special mission would rank next below the Ambassador to such country.

A recent precedent exists for the above proposal that the new top-level man wear two hats and report in his different capacities respectively to two Cabinet rank officials in Washington. When Mr. John J. McCloy undertook his mission to Germany in 1949, a serious organizational problem was solved by appointing him both as the High Commissioner—in which capacity he reported to the Secretary of State—and also as the senior representative of ECA in Germany—in which capacity he reported to the Administrator of ECA. This placed the ECA mission under him. This arrangement has worked successfully. If the man selected is the right man and is acceptable to both Cabinet rank officials whom he must serve, such a set-up is entirely practical.

TRACY S. VOORHEES, *Vice Chairman.*

DEPARTMENT OF STATE,
Washington, August 7, 1951.

Hon. JAMES P. RICHARDS,
House of Representatives.

MY DEAR MR. RICHARDS: My attention has been called to H. R. 5020, a bill to promote the foreign policy and provide for the defense and general welfare of the United States by furnishing assistance to friendly nations in the interest of international security, which you introduced in the House of Representatives on August 1, 1951. I have also read your accompanying explanatory statement.

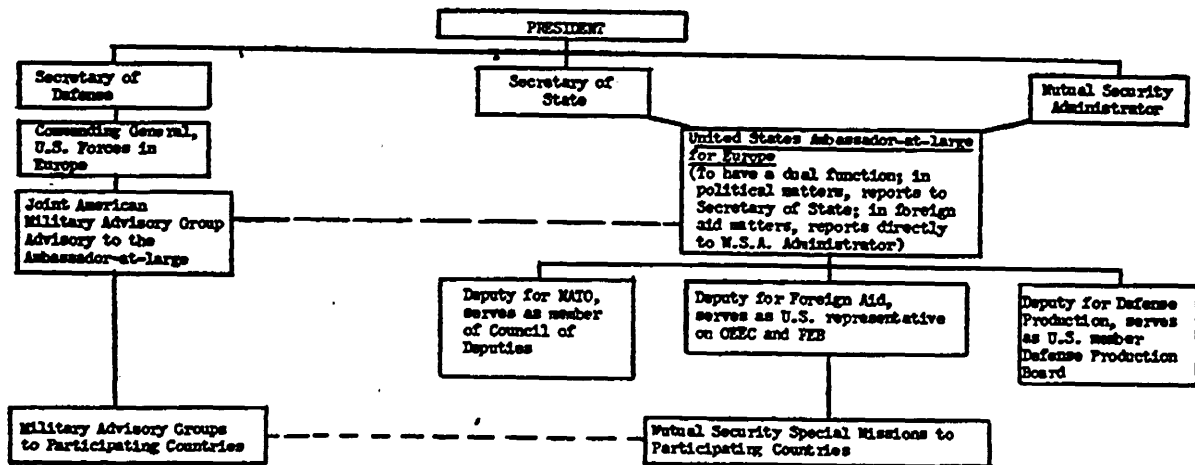
First of all, I wish to state my pleasure at your strong endorsement of the purposes of the Mutual Security Program and your forcefully expressed opinion that this program is essential for the security of the United States. In the second place, I would like to express my personal appreciation for the painstaking, thorough, and objective manner in which you and your committee have conducted the hearings on this program and the exhaustive way in which you have been exploring the important and intrinsically difficult problems of national security for which the program seeks to provide some answer.

At the same time, I must indicate my concern over the large reduction which your bill would make in the amounts of aid which were recommended in this program as it was submitted to the Congress by the President. In doing so, I am voicing the joint concern of myself, Secretary of Defense Marshall, the Administrator of ECA, Mr. William Foster, and others in the executive branch who are responsible for this program. In our opinion, these reductions would have an adverse effect on the success of the program and would, for this reason, run counter to our national interests. As a consequence, I am convinced that we must have failed in our presentation to bring out, or properly to emphasize, the facts, figures, and supporting arguments which, in our judgment, compel such a conclusion. In this letter, therefore, I should like briefly to summarize our position and to indicate our readiness to furnish any additional testimony or information which the committee might find helpful.

Before addressing myself to the specific reductions which you have recommended, I would like to say a few words about the program as a whole and the manner in which it was constructed.

First, I want to reiterate a statement which I made when I appeared before your committee—that the size of the program does not reflect requirements but

MUTUAL SECURITY ADMINISTRATION (EUROPE)



that rather, on the contrary, its size was drastically reduced below requirements because of limitations in readily available equipment, supplies, and technical personnel. In other words, the amounts of assistance recommended by the executive branch do not begin to fill those foreign needs which, if it were not for current scarcities in military equipment and other materials of aid, our national interests would dictate should be met in full.

Thus, the military aid which we actually requested had already been severely cut back from requirements as they were developed by our military authorities. Our production experts determined that any larger total military-aid appropriations, when considered in conjunction with our own military appropriations, would not in fact result in the production of any larger quantities of military equipment during this fiscal year than under the program proposed. The limitation here is the capacity of American industry, operating at the present level of mobilization, to carry out a bigger production program during 1952 than the one which is called for by a combination of the President's proposals for our own Military Establishment and for foreign military aid. We believe the present military aid program to be feasible, but we wish, because the requirements certainly so demand, that it might be materially increased. Similarly, in the case of economic and technical assistance, we have been confronted with serious world-wide shortages in raw materials, machine tools, industrial equipment, and technicians, and these shortages have handicapped us in developing programs of an economic and technical character which are adequate fully to accomplish our objectives.

The program which was submitted represents the product of nearly a year's work on the part of some of the ablest people in the executive branch of the Government. It is one of the most carefully prepared programs that has ever been transmitted to the Congress. Requirements were developed in great detail through exhaustive field studies and thoroughly screened. These requirements were considered in conjunction with the requirements of our own Defense Establishment and the civilian economy after equally careful studies had been made of our resources and productive capacity. The amount of the program was repeatedly cut back, representing the elimination or deferment of less urgent requirements because of limitations in resources. One of these progressive cut-backs is reflected in the difference of more than \$1,150,000,000 between the amount for foreign aid contained in the President's budget message and the amount proposed in the specific program now before you.

If time were not crucial, the further sizable reductions which you propose might not have the same adverse consequences that we believe they now do. Under such circumstances the meeting of requirements could be phased over a longer period. Today, however, time is crucial, and the future of our Nation will depend upon how well we use the time that we still have available to build strength in places where strength is critical to the survival of free nations. The longer that situations of great military, political, and economic weakness prevail in various areas of the free world, the longer will we face the risk that Soviet exploitation of these situations will precipitate a third world war or cause the loss of peoples that are vital to the position of the free nations. If the free world had already attained the degree of strength which, over the next few years, the Mutual Security Program should help to create, the possibility of other Koreans would be vastly reduced, as would the danger that vital regions will fall prey to Soviet subversion. Until the day when this level of strength has been achieved, and can be maintained, the present danger does not merely continue, it increases, because the Soviet world is relentlessly seeking to improve its military posture and has accelerated its efforts to capitalize on the poverty, sickness, ignorance, and frustration which prevail in many areas of the free world where our technical and economic assistance could do so much in helping to remove these conditions and in giving their peoples a hope for the future. Time, therefore, is vital in this whole field, and we cannot afford to postpone until tomorrow any of those measures which we have the capacity and national interest to undertake today.

I turn now to the specific consequences which would flow from the particular reductions that you have suggested.

In the case of Europe, your bill would reduce the aggregate amount available for foreign assistance by \$550,000,000--\$285,000,000 in military aid funds and \$265,000,000 in the funds available for economic assistance. It is our considered judgment that this reduction would seriously affect our efforts to build military strength in Europe and set back the present already much too extended timetable for raising and equipping the forces which are required by General Eisenhower.

I can best explain the reasons for the foregoing conclusion by reviewing the processes by which the amounts proposed by the President were arrived at in the first instance. As you know, the North Atlantic Treaty Organization has developed, and the participating governments have approved, a military plan which calls for the creation within a specified period of forces which will be capable of withstanding aggression against the North Atlantic Treaty area. The general size and composition of these forces has been initially defined; the cost of raising, maintaining, and equipping them has been roughly estimated; and the general magnitude of the capital equipment requirements for them has been calculated. In addition, estimates have been made of the extent to which the European NATO members can, during the specified period, and upon the assumption that United States economic assistance of a marginal nature will be continued, pay for the support, training, equipment, and facilities which such forces will need. With these several calculations in hand, it has been possible to make a rough approximation of that portion of the total capital equipment requirement which may need to come from, or be financed directly by, non-European sources, principally the United States. The military assistance funds requested by the President would make possible one of several successive installments for meeting this total amount.

Subsequent screening of this plan by General Eisenhower may result in some reduction in these requirements, but it is also possible that such a review may indicate the necessity for an increase. Subject only to this qualification, I am in a position to assure you, after considering the time period within which the plan should be completed and the long lead times involved in producing military equipment, that the military assistance proposed by the President for the forthcoming year represents a disproportionately small slice of the total requirements. The proposed slice would be much larger if our productive capabilities appeared adequate, at the present level of mobilization, to make it larger. The physical requirements exist, and they cannot be disregarded. They are among the hard facts with which we must contend if we are to reach the end which we seek. Any reduction in the funds which we have sought can therefore only postpone, not alter the necessity for, the fulfillment of these requirements. Such a postponement, moreover, while it in no way increases the ultimate saving to the United States, does have the effect of decreasing, and by a disproportionately large amount, the security which the United States might otherwise attain. For one thing it lengthens the period of serious war risk by deferring the day when strength adequate to deter or repel aggression will exist in Europe. Moreover, failure to deliver this equipment on the schedules which have previously been worked out can upset the plans for the raising and training of forces which have already been agreed to by our North Atlantic Treaty partners. Thus, it can retard the process of European mobilization, for the raising and training of forces must go hand in hand with the provision of equipment, and the former must invariably be slowed down as the rate of deliveries is reduced. Such a cut would, in addition, make it much more difficult, out of the equipment to be produced from the funds included in this legislation, and in the event that future developments should make this advisable, to divert any substantial quantities to Germany or other non-NATO countries.

The reduction in economic aid would, if anything, have equally adverse effects on the rearmament of Europe. As we have constantly stressed, one of our principal purposes in this program is to help the Europeans to carry as much of the rearmament burden as they can without undermining the basic economic and social structure which we and they have worked so hard to create through the European recovery program. Such an approach not only increases the speed with which we can obtain real strength in Europe but also reduces the period during which the maintenance of this strength will require continued assistance from this country. The proposed reduction will slow both of these processes.

Our economic aid has been, and will continue to be, marginal in the sense that it represents those resources which the Europeans do not have and cannot obtain for themselves, but which they require in order to develop and make the fullest use of their own resources. Our economic assistance as administered has had a multiplying effect in that a dollar's worth of such assistance, when coupled with the manpower, materials, and facilities already available in Europe, has resulted in increased output many times in excess of that dollar. In this way the productive capacity of Europe has been greatly increased, and this increase is largely responsible for the fact that Europeans have been able to carry the significant burdens of rearmament that have already been undertaken. Since consumption, on the average, is close to the minimum level, any further significant

increases in the European defense effort are dependent upon continued increases in production output. A reduction in assistance can only lead to a reduction in the ability of the Europeans to increase their output and thereby to provide greater amounts for defense purposes. The result, here again, will be a postponement of the day when these nations can be self-sufficient, with a probable consequent increase in the total ultimate cost to the United States, and a postponement of the time when General Eisenhower will have the necessary military strength behind him.

While it is true, as you have indicated, that European defense production has grown more slowly than we had originally hoped and expected, progress has been substantial, and a large number of the early physical and technical obstacles to the acceleration of this process have now been or will shortly be removed. With their removal, the big remaining obstacle for the Europeans is the problem of financing—the problem of mobilizing resources of their own which are sufficient to support this production together with all the other military tasks they must perform. Since the economic aid proposed for the NATO countries is already based on optimistic assumptions concerning the defense burdens which each of these countries can finance for itself, the suggested reduction can have no other effect than to limit the military efforts which these countries will be able to make during the year ahead. Moreover, because of the multiplying effect of our economic assistance, to which I referred above, the reduction will curtail these efforts by more than the dollar value of the economic assistance which is withheld. At a time when each one of the participating nations should do everything of which it is physically capable, it would be unfortunate if our aggregate effort should fall seriously short of the total effort which, through the judicious use of United States economic assistance, would otherwise be possible.

In the case of the Far East and south and southeast Asia, the proposals contained in your bill would reduce the aggregate amount of authorized economic assistance from \$375,000,000 to \$225,000,000, or a reduction of 40 percent. \$100,000,000 of the total cut would be reflected by the deduction of this amount from the authorization for \$112,500,000 in new funds which was requested by the President for relief and reconstruction work in Korea. The other \$50,000,000 would constitute an approximately 20-percent decrease in the \$262,500,000 recommended for economic and technical assistance in south and southeast Asia, Formosa, and the Philippines. The total reduction would necessitate a revision in our present plans, and such revision would, in our opinion, decrease our ability to attain important national security objectives in this critical region.

In this vast area, an expanse embracing nearly 30 percent of the world's population, the economic programs, as they were submitted, are, when measured against our vital interests in the area and the needs of the area, of modest proportions. They represent only 3 percent of the amount which has been proposed for the mutual-security program as a whole. Their relatively small size was again dictated by limitations in available materials and technical personnel and by the extent to which available aid could be effectively utilized, under the conditions existing in these countries, to advance the security of the free nations. Over 80 percent of the total amount requested has been programmed for four countries—Formosa, the Philippines, Indochina, and India—where either the size of the need or the critical character of the immediate situation, or both, necessitate the largest effort in terms of assistance. In most of the remaining countries in this area, the planned programs are so small that any appreciable reduction therein would materially reduce, if not eliminate, the value of proceeding with them, and yet their abandonment would, we believe, be detrimental to our efforts to build real strength in this important corner of the world. Consequently, as a practical matter, all or substantially all of the \$50,000,000 cut would necessarily come out of the present programs for the four countries which I have mentioned. I shall therefore review the specific results that would follow if this were done.

The assistance proposed for the Philippines is designed to make possible the implementation of the long-term recommendations of the Bell mission for the recovery and stabilization of the Philippine economy. This mission made the most careful study of the situation existing in the Philippines and its conclusions have been endorsed both by this Government and by the Philippine Government as a sound approach to the economic problems of this new country. A portion of these recommendations concern far-reaching and politically difficult actions to be taken by the Philippine Government itself. Many of these actions have already been taken, and they have been taken in the faith that other recommendations in the report—those calling for actions by

the United States—would also be carried out. Failure on the part of this Government to undertake these actions would be viewed as a breach of a moral commitment, and would make more difficult, and delay the economic recovery which the report envisaged. Since the problems of the Philippines, including the problem posed by the Communist guerrilla forces, are in large measure a product of the country's economic plight, failure to address the evil at its root will prolong the situation which now exists. Moreover, the military assistance which we are providing to assist in eliminating the Communist guerrilla threat will prove useless in the long run if the conditions which have given rise to and nourished the Huk movement are permitted to continue. We risk this result if any appreciable portion of the proposed \$50,000,000 cut were taken from the Philippine program.

I hardly need to stress the importance of Formosa or to describe the difficult economic burden which has been imposed on this small island by the necessity of maintaining not only a civilian population which has been augmented by refugees from the mainland, but also a military force in the neighborhood of a half million men. We are attempting by the provision of large quantities of military assistance to make these people relatively secure in the event of any attempted Chinese Communist invasion. This effort will be impossible of success, or at least meaningless in the end, if economic conditions in Formosa should seriously deteriorate or if the country should be unable to provide the basic support required by the military forces. The economic aid which we have proposed has a twofold purpose—first, to make it possible for the Chinese Government to feed, clothe, provide the facilities for, and otherwise to maintain during the coming year, the military forces to which we are furnishing equipment and, second, to increase the capacity of this island to become self-supporting at the earliest possible future date. The application of all or some part of the \$50,000,000 cut to the projected Formosan program would therefore have either one or both of the following consequences: (1) Extend the future period during which Formosa would be dependent on outside economic assistance or (2) deprive the Formosan forces, with all the adverse effects on morale and military effectiveness which this would entail, of certain essential maintenance support. The overstrained Formosan economy cannot carry the entire military load without our help.

In Indochina the battle for southeast Asia is now being bitterly waged. Much of the country is a theater of active military operations, and on the outcome of these operations may hang the fate of free Asia. At the moment, 150,000 French Union troops, together with slowly increasing forces of the associated states, are holding their own. It is nonetheless clear that even with our military assistance, it will be difficult to continue to hold in the future, not alone to improve the situation, unless a number of other developments occur. Unless the governments of the associated states can deal with the problems of relief that are created by the scorched earth tactics of the guerrillas, can develop institutions which are responsive to the needs of their people, can raise and support additional forces of their own to augment, and eventually to replace, the French Union troops, and can commence projects which promise a better future for their subjects, the situation will become hopeless. At their present stage of development, and beset by widespread hostilities and subversion, these new states are unable to take all of these steps without the kind of technical and economic assistance that we have proposed in the current program. The value of our military assistance in the solution of current military difficulties will be materially lessened unless this complementary economic and technical aid is also provided. The application of all or an appreciable portion of the \$50,000,000 reduction to the Indochina program would thus materially detract from the attainment of our objectives.

The problems of India have had the special attention of your committee on several occasions during the last 6 months, and I need not belabor them. The continued freedom of its 350,000,000 people from Soviet control is obviously a matter of great moment to the rest of the free nations. In relation to its importance, population, and needs, the amount of aid which we have recommended is the minimum needed in order to begin an effective attack on India's central problem—the shortage of food. We believe it is necessary to expand, and to complement with essential supplies, the small technical assistance projects which are directed almost entirely to increasing the production of food. In addition, it is important to effect a rapid increase in the base of Indian agriculture—to expand India's agricultural "plant capacity" by clearance of new land, by ground-

water irrigation of land that is now marginal, and by the expansion of capacity to produce and use fertilizer. The application of all, or any appreciable portion, of the \$50,000,000 reduction to this program would make the implementation of these measures impossible.

As a practical matter, therefore, this reduction, if it is allowed to stand, would necessarily eliminate, or seriously impair, the programs which have been planned for one or more of the above four countries and, in doing so, materially hamper our efforts to build strength in Asia. Without such strength, Asia is likely to be lost to Soviet communism, and such loss would do incalculable damage to our capacity to defend ourselves. Although some of the projects which are proposed are long-range in the sense that they will take a number of years to come to fruition, they are essential to this strength, and if they are not commenced now, in this critical period when the future of the free world is being shaped, the reasons for commencing them, and the opportunity to commence them, may well be lost. The free countries may then already have been absorbed in the Soviet sphere.

I am also concerned over the effect of the proposed cut of \$100,000,000 in the authorization of funds for Korean relief and rehabilitation upon the morale of the Korean people, upon their willingness and ability to continue resistance to Communist control, and upon the contributions which other countries have made or pledged for the relief and rehabilitation of the Korean people. I fully sympathize with the considerations which led you to propose this reduction, but I believe that those which I am setting forth below should be controlling.

The Korean Government and people are already familiar with the proposed \$250,000,000 program of the United Nations, and with the fact that the United States, subject to the approval of the Congress, has pledged \$102,500,000 toward this program. The Korean people will not understand the failure of this Government to authorize an appropriation equivalent to the United States pledge and will be disturbed over the implications of this failure for their future. Only the hope of an eventual improvement in their serious economic plight, a hope which is symbolized in the proposed United Nations program, has sustained their morale and will to endure their present hardships and sufferings. During this period of armistice negotiations, moreover, they are particularly apprehensive over the long-run intentions of the United States and the United Nations with respect to their country. The recent announcement of arrangements between the United Command and the United Nations Korean Reconstruction Agency has been extremely helpful, according to our Ambassador, in persuading the Koreans that there was no intention to desert them.

I hardly need emphasize the intimate relationship between the morale of the Korean civilian population and the success of the armies operating in Korea, if warfare continues, and of its similar relationship to the maintenance of political stability, if warfare should cease. I believe that the effect of low morale or disillusionment upon Korean cooperativeness in military and political negotiations, and upon their determination by their own efforts to create military and economic strength, is also evident. The results of low morale could be disastrous and largely undo the accomplishments of our costly military efforts.

I should also stress that an indication of congressional unwillingness to authorize the full amount pledged by the United States to the United Nations Korean Reconstruction Agency (UNKRA), subject to congressional approval, would have an unfortunate effect on the similar legislative actions which are required at this time in other countries in fulfillment of their own pledges. It would also certainly affect our expectation that additional countries will contribute to the financial support of this undertaking. In addition, the United States must not overlook the fact that certain other nations have already made their pledges good. To name only one, Canada has paid its contribution of \$7,250,000. The United Kingdom, its contribution of \$28,000,000 authorized by Parliament, has indicated that its pledge was made with the anticipated United States contribution in mind and that its payments will be governed by the payments made by the United States. I, therefore, think that if the United States fails to exercise leadership by fulfilling its moral commitment to this undertaking such action will have an adverse effect on the promised or anticipated contributions of other nations, whereas forthright action now in accordance with our pledge is likely to stimulate such contributions. Such a development might, in view of our residual responsibility to the Republic of Korea, result in a greater total cost to the United States in the long run.

While the date for commencement of a major program cannot yet be fixed, it is likely that it will be under way sufficiently early in the current United States fiscal year so as to require large amounts available for prompt commitment. The

United States contribution will require action by the Appropriations Committees as well as by the committees concerned with foreign affairs, and there is a danger that funds could not be made available in time if the full authorization were not now approved.

The United States should, by authorizing the full contribution now, honor its moral obligation. In this way it will affirm its good faith and give an important vote of confidence to these heavily burdened people who have suffered some \$2,000,000,000 in war damage to their homes, farms, hospitals, and businesses.

I hope that the foregoing review of the effects of the proposed reductions is sufficiently explicit and detailed to provide you with a clear understanding of the reasons for our concern over your proposals and of the importance which we attach to an authorization for the full amounts requested. If it fails to do so, we are prepared to appear at any time to furnish further explanations.

Sincerely yours,

DEAN ACHESON.

ECONOMIC COOPERATION ADMINISTRATION,
Washington 25, D. C., August 7, 1951.

HON. JAMES P. RICHARDS,
Chairman, House Foreign Affairs Committee,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: May I at the outset express my sincere appreciation for the tact, consideration, and patience with which you and your committee have treated the difficult and important hearings in connection with our Mutual Security Program.

I am writing at this time because I am greatly concerned over the \$435 million reduction in the economic aid portion of the Mutual Security Program, as proposed in your bill H. R. 5020. This represents a reduction of about 17 percent in the amount sought by ECA for the European program and nearly 20 percent in the amount sought for the Far East program (apart from the Korean rehabilitation program, where the cut approximates nearly 90 percent of the sum requested). As you know, we have historically asked for funds only to the carefully calculated minimum amount deemed necessary for ECA to do its job. The same criteria were used this year and the amount was based on optimistic determinations as to continuing recovery and a frugal estimate of the needs of the recipient nations. The aid program proposed was prepared on an austerity basis and is the agencies' estimate of the minimum necessary for the European governments to undertake the military tasks imposed on them under our Joint plan. Such a reduction in the supply of industrial goods and necessary food can only result in an even greater inability of the European countries to mount the defense efforts that we are relying on from them.

Specifically, you propose a cut of \$285 million from the already severely restricted amounts provided for the countries covered in title I of the act. This will have the effect of sharply limiting the ability of Europe to attain even the presently contemplated levels of rearmament which, as you know from our testimony, are even now not nearly adequate. Moreover, due to the relationship of the economic aid portions of the bill to the military production features which it is intended to support, the elimination of \$285 million will actually amount to a cut-back in terms of military equipment of several times that amount.

Continental Western Europe will need to import \$3.2 billions worth of dollar imports, such as fuels, raw materials, capital equipment, and other manufactures, as well as food, feed, fertilizer, natural fibers, and other agricultural products. As you know, in fiscal 1952, these imports are much more directly related to defense than has been true in the past. Cuts in these imports would inevitably and directly affect the level of production in Europe. Goods such as these are processed and manufactured within the European countries. In this process, the value added by European producers is between four and six times the initial value of the goods. Consequently, European production would be cut, or its expansion would be retarded, by an amount four to six times as great as the amount of the reduction in imports. Nor is this the full story, for one effect of the cut in production would be to interfere with European export earnings and thus to curtail further the imports that the Europeans are planning to finance with their own earnings.

Going beyond industrial raw materials, a part of the cut, possibly a large part, would fall on capital goods. Insofar as these are items of equipment required for the expansion and modernization of European industry, the inability to purchase them might not affect production currently but would in a direct and obvious fashion retard the recovery process and interfere with military production planning. A substantial part of the industrial machinery and equipment to be imported from the United States is accounted for, however, by spare parts. No cuts would be possible in this category without risk of a crippling effect on current production. Finally, it should be borne in mind that Europe's capital goods and machinery imports from the United States consist of items not available elsewhere. Since these usually constitute only a small proportion of the total cost of capital projects undertaken, the inability to obtain these items would, again, have a large multiple effect upon the rate of investment and production in Europe.

The economic aid program was specifically designed to make it possible for the Western European countries to mount defense establishments capable of withstanding European aggression. The defense portion of this program assumed by the European countries calls for a significant drain on their resources, particularly taking into account the level of income in Europe and the recent date of their insecure recovery from the postwar crisis. It should be remembered that the Europeans are being called upon to supply most of the manpower for the defense plan. They are, themselves, undertaking the costs of, supporting this manpower, maintaining and operating equipment and matériel, and the major portion of the cost of basic construction for such items as airfields and communications. Due to the lower-cost factors which are applicable to military preparations in Europe, the use of United States dollar aid means much more in terms of actual equipment produced there. The amount proposed to be eliminated from the European area will result in a substantial reduction in military expenditures, in production of matériel, and in maintenance of major equipment. Even if this cut were to be offset by an increase in MDAP aid, in order to obtain equivalent value, it would have to be of the general magnitude of a billion dollars. Alternatively, if there is no offsetting increase, a reduction in the combat-ready divisions of European troops available to General Eisenhower will result.

With respect to the proposed cut of \$50 million for the countries covered in title III, we already have grave doubts that the \$262.5 million requested will meet the exigencies of the situations in the countries of the Far East. Any cut in the proposed \$90 million aid figure for Formosa will be a severe blow to United States politico-military policy. In Indochina, we are engaged in an economic support operation, directly involved in a military contest with active Communist aggression. Any reduction in the aid proposed in this area would be a real blow to United States prestige and provide telling propaganda material for the Communist segments of this and other countries. In Burma, Thailand, and Indonesia, we have already scaled our programs to an aggregate of less than \$30 million, which represents a contribution of less than 80 cents per capita for these countries. If an even lower figure should now be necessary, we shall severely compromise our effort to strengthen the economic and political position of these countries. The program for the Philippines is tied to the Bell recommendations and conditioned upon undertakings to be assumed by the Philippine Government. In reliance on this commitment, the Philippine Government has taken steps in the fields of increased taxes, minimum wages, and social improvements to qualify themselves for aid from the United States. To withdraw that aid now will certainly effect our position in the Far East and threaten the progress now apparent in the Philippines.

In summary, the effect of these cuts in Europe will be to retard the expansion of production and of raising and supporting the forces and facilities which the defense programs absolutely require. In the Far East, where programs in most instances have barely commenced, they will impair our effectiveness and, in some instances, may warrant the total withdrawal of essential country-aid programs. I urge upon you, therefore, to reconsider the amounts recommended in the substitute bill introduced by you and to restore the proposals of our submission. If you should desire any further justification of the detail in our presentation, we will, of course, be happy to provide it.

Sincerely yours,

WILLIAM O. FOSTER, Administrator.

DEPARTMENT OF STATE,
Washington, August 7, 1951.

Hon. JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
United States House of Representatives.

MY DEAR MR. RICHARDS: I am pleased to furnish the attached statement showing the number of persons included under the training and exchange aspects of the point 4 program and related programs. This statement was requested by the Honorable John M. Vorys for his information, and by the Honorable Abraham A. Ribicoff for the record on Monday, July 30, 1951, during the hearings before your committee on the Mutual Security Program.

I have sent copies of this statement directly to Congressmen Vorys and Ribicoff for their personal information.

Most of the exchanges authorized are for training in the United States; however, there are other training centers now in use in Puerto Rico and Beirut, and it is contemplated that additional training centers will be established outside the United States when it is advantageous to do so.

Sincerely yours,

HENRY G. BENNETT,
Administrator, Technical Cooperation Administration.

SUMMARY OF TRAINING AND EXCHANGE PROGRAMS WITH GEOGRAPHIC
DISTRIBUTION, FISCAL YEAR 1951

The training and exchange activities sponsored by the United States Government come under five principal headings, and in addition there are a few special programs limited to one or two countries, as shown in the attached statement. The five principal programs are as follows: Point 4, ECA, Smith-Mundt, Fulbright, and UN. The point 4 program makes maximum use of existing administrative machinery established by the Office of Educational Exchange in the State Department for the selection and processing of trainees. This procedure gives maximum insurance against duplication in the three programs under the State Department's supervision; viz point 4, Smith-Mundt, and Fulbright. The point 4 administration endeavors to avoid duplication of the training and exchange activities of other agencies, and observes the following precautions:

(a) Authorizes only those exchanges which serve the long-range economic development objectives of the program. Such exchanges differ from those of ECA which concentrate on additional production related to the present emergency, and also from those cultural and general educational exchanges administered by the Office of Educational Exchange of the State Department.

(b) Coordinates closely with the UN and its specialized agencies so that it is informed of each request received for training and exchange by the UN.

(c) Utilizes field selection machinery and the processing facilities of the Office of Educational Exchange wherever possible.

There follows a summary table showing the number of exchanges authorized for fiscal year 1951 by program.

Exchanges authorized for fiscal year 1951, all programs

Program	Number of persons
Point 4.....	882
ECA.....	2,808
Smith-Mundt (Public Law 402).....	1,047
Fulbright (Public Law 581) ¹	1,331
Smith-Mundt, Fulbright ¹	912
UN ¹	900
Special:	
Iranian trust fund (Public Law 581).....	10
Chinese students (not exchanges).....	2,800
Japanese reorientation (U. S. Army).....	840
Austria and Germany (reorientation).....	3,040
Finnish educational exchange.....	65

¹ Round trip travel only.

² Joint Smith-Mundt, Fulbright grants.

³ Covers period from July 1 to Dec. 31, 1950.

Attached to this statement is a table showing the application of the several governmental training and education exchange programs to the various countries of the world. The following paragraphs outline the scope and approximate size of each of the programs:

(1) *Point 4 exchanges.*—The point 4 program, authorized by Public Law 535, Eighty-first Congress, brings trainees to training centers in the United States and elsewhere from the economically underdeveloped countries of Latin America, Africa, and the Near East. These persons are selected because of their ability to make a contribution to the economic development of their countries. Training is given in a wide variety of skills having economic significance. Eight hundred and sixty-two exchanges were approved in fiscal year 1951 under the point 4 program.

(2) *ECA exchanges.*—The Economic Cooperation Administration provides for technical training and intensive study of production techniques for persons from the countries of Europe and their dependent overseas territories, and from Korea, China, the Philippines, and southeast Asia. During fiscal year 1951, 2,835 trainees came to the United States from Western Europe, and 73 from the Far East. Most of these came for relatively short periods. Attention was usually given to training in industrial production techniques.

(3) *Smith-Mundt exchanges.*—The Office of Educational Exchange of the State Department, under Public Law 402, Eightieth Congress the Smith-Mundt Act, carries out professional and cultural exchanges with most of the countries of the world. This program is active in a variety of fields, but technical personnel are not included in this program wherever point 4 or ECA programs are active. Within the Department of State there is close coordination between the Technical Cooperation Administration and the Office of Educational Exchange to insure against duplication. A total of 1,047 exchanges were approved during fiscal year 1951.

(4) *Fulbright exchanges.*—The Office of Educational Exchange administers the Fulbright program under Public Law 584, Seventy-ninth Congress, which is applicable to 18 countries in Europe, the Near East, and the Far East. The Smith-Mundt and Fulbright programs are operated so as to supplement each other, many of the grants being joint awards. Coordination between the Fulbright program and the technical assistance programs of point 4 and ECA is effected in the field by having the local ECA or TCA representatives sit on the board of the local Fulbright Foundation or meet with it when candidates are selected. Approximately 1,331 grants were made under the Fulbright program in fiscal year 1951.

(5) *UN exchanges.*—The expanded program of technical assistance under the United Nations and the related specialized agencies, is operative in 42 countries, in all parts of the world. Coordination with the point 4 program is achieved by a constant exchange of information between Washington and the United Nations headquarters on requests for technical assistance, and by United States missions in the field which keep themselves informed on requests made to international agencies. In the first fiscal period of the United Nations program from July 1, 1950, to December 31, 1950, a total of nearly 900 fellowships and scholarships were granted, or under consideration.

(c) *Special program exchanges.*—There are several special programs applicable in each case to only one or two countries. These, with approximate numbers of exchanges, are:

(a) Iran: Iranian trust fund, under Public Law 861, Eighty-first Congress, 10 persons.

(b) China: Assistance to Chinese students, under Public Law 535, Eighty-first Congress, title II. (No exchanges; 2,890 Chinese in the United States.)

(c) Japan and the Ryukyu Islands: Reorientation program operated by the United States Army; 840 persons.

(d) Austria and Germany: Program authorized under general appropriation act for 1951. Germany, 2,700 persons; Austria, 250 persons.

(e) Finland: Finnish educational exchange program, under Public Law 265, Eighty-first Congress, 65 persons.

In each case where more than one United States program is operative coordination procedures are in effect to insure that there will be no duplication of effort.

ATTACHMENT 1

	Point 4 (Public Law 535)	ECA	Smith- Mundt (Public Law 402)	Fulbright (Public Law 384)	UN	Special
AMERICAN REPUBLICS AREA						
Argentina.....			X			
Bolivia.....	X		X		X	
Brazil.....	X		X		X	
Chile.....	X		X		X	
Colombia.....	X		X		X	
Costa Rica.....	X		X		X	
Cuba.....	X		X		X	
Dominican Republic.....	X		X		X	
Ecuador.....	X		X		X	
El Salvador.....	X		X		X	
Guatemala.....	X		X		X	
Haiti.....	X		X		X	
Honduras.....	X		X		X	
Mexico.....	X		X		X	
Nicaragua.....	X		X		X	
Panama.....	X		X		X	
Paraguay.....	X		X		X	
Peru.....	X		X		X	
Uruguay.....	X		X		X	
Venezuela.....	X		X		X	
NEAR EASTERN AFFAIRS						
Afghanistan.....	X		X		X	
Ceylon.....	X		X		X	
Egypt.....	X		X	X	X	
Ethiopia.....	X		X		X	
Greece.....	X	X	X	X	X	
India.....	X		X	X	X	
Iran.....	X		X	X	X	Iranian Trust, Public Law 861.
Iraq.....	X		X		X	
Israel.....	X		X		X	
Jordan.....	X		X		X	
Lebanon.....	X		X		X	
Liberia.....	X		X		X	
Libya.....	X		X		X	
Nepal.....	X		X		X	
Pakistan.....	X		X	X	X	
Saudi Arabia.....	X		X		X	
Syria.....	X	X	X	X	X	
Turkey.....	X		X		X	
Gold Coast.....	X		X		X	
Nigeria.....	X		X		X	
South Rhodesia.....	X		X		X	
Uganda.....	X		X		X	

ATTACHMENT 1—Continued

	Point 4 (Public Law 533)	ECA	Smith- Mundt (Public Law 502)	Fulbright (Public Law 534)	UN	Special
NEAR EASTERN AFFAIRS—COR.						
Burma.....		X	X	X	X	Public Law 533, Title II.
China (NAT).....		X				
Indonesia.....		X	X		X	Army.
Korea.....			X			
Japan and Ryukyus.....			X			
Philippines.....				X	X	
Thailand.....		X	X	X	X	
Vietnam.....			X			
Malaya.....			X			
EUROPEAN AFFAIRS						
Australia.....			X	X		Public Law 750.
Austria.....		X		X		
Belgium.....		X	X	X		Public Law 263.
Denmark.....		X	X		X	
Finland.....		X	X	X		Public Law 750.
France.....		X				
Germany.....		X		X		
Great Britain.....		X	X	X		
Jamaica.....			X		X	
Iceland.....		X	X		X	
Ireland.....		X	X			
Italy.....		X	X	X	X	
Luxembourg.....			X			
Netherlands.....		X	X	X		
New Zealand.....			X	X		
Norway.....		X	X			
Portugal.....		X	X		X	
Spain.....			X			
Sweden.....		X	X			
Switzerland.....		X	X			
Union of South Africa.....			X			
Yugoslavia.....					X	
Triste.....			X			

DEPARTMENT OF STATE,
TECHNICAL COOPERATION ADMINISTRATION,
Washington, August 7, 1951.

The Honorable JAMES P. RICHARDS,
Chairman, Committee on Foreign Affairs,
House of Representatives.

MY DEAR MR. RICHARDS: During my testimony before your committee on July 30, Mr. Javits asked me several related questions on the problems of securing adequate investment capital for the development of under-developed areas, and on the proposal for an international economic development agency of the World Bank by Mr. Nelson Rockefeller and the International Development Advisory Board. The attached statement provides my answers to these questions.

A copy of the enclosed statement has been sent directly to Mr. Javits for his personal information.

I shall be happy to give you any additional information you desire.

Sincerely yours,

HENRY G. BENNETT, Administrator.

STATEMENT BY DR. HENRY G. BENNETT ON SEVERAL PROBLEMS RELATED TO PROVIDING CAPITAL FOR THE DEVELOPMENT OF UNDERDEVELOPED AREAS

I have been asked to state my views on how the dearth of investment capital in the underdeveloped countries affects our program and what can be done to stimulate such investment. I have also been asked to give my views on Mr. Rockefeller's recommendation for an international economic development agency of the International Bank.

First of all, let me say that I fully recognize the importance of capital investment to economic development. To take only one example, we are all familiar with the impetus given the development of our own country by the investment of foreign capital from Europe. The fact that a dearth of investment capital exists in the underdeveloped countries today is one of the important reasons for the point 4 program.

I believe that domestic savings must provide the bulk of the capital for development of the underdeveloped areas as it has always done in the past. However, domestic investment alone will not be sufficient in many countries and will have to be supplemented by foreign investment, both public and private. Therefore, I believe that our Government should vigorously press forward in its efforts to create conditions favorable to private investment abroad. A major part of this effort is the negotiation of modern commercial treaties which include assurances of fair treatment of American investors. I also believe that limited guarantees of private investments, as previously proposed by the executive branch, would be of value. Long-term purchasing contracts and other market devices may be necessary to stimulate the development of critical materials abroad.

I question, however, whether the establishment and operation of an International Development Authority for distributing grants for economic development, as proposed by the International Development Advisory Board, is desirable at this time. My reasons for taking this position are given later in this statement.

The outflow of American private investment capital to underdeveloped areas in recent years has been disappointingly small in relation to need. In 1949, such investment was only \$352 million including reinvested earnings, and in 1950 it fell to \$308 million. Two-thirds of this investment was in the petroleum field.

I am convinced that the greatest inducement that can be offered investors of capital is profit. The potentialities for profitable investment in underdeveloped areas are high but are often difficult to realize both because basic facilities and services in the areas are so inadequate and because the purchasing power of the people is so low. To help improve the facilities, the services, and the people's buying power is the challenge to the point 4 program.

In the underdeveloped countries, 80 percent of the people, the consumers, live on the land. Their average income, of less than \$100 a year in 1949, is so low that they cannot be good customers of industry, either foreign or domestic. These people have pretty much the same human desires the world over. They would like to buy stores, kitchen utensils, furniture, bed sheets, clothing for their families, even radios and automobiles, if only they had the money. Now they are primarily concerned with getting enough food to eat. Such poor people cannot afford to save much above their meager consumption, and therefore local investment capital is inadequate. It is estimated that domestic savings are about 2 to 3 percent of national income in India and Ceylon where per capita incomes in 1949 were the equivalent of \$54 and \$75 per year. Capital in underdeveloped countries is so scarce that it is frequently hoarded, and sent abroad for security, used for short-term commercial lending at high interest rates, or invested in land and speculative activities. In this country net savings amounted to 16 percent of national income in 1950.

The only way I can see that the income and the savings of the masses of these people can be increased is for them to increase their own production. If they can grow enough corn and wheat and rice to satisfy their own needs and a little bit more, they can sell the surplus for ready cash. The surplus will need to be milled, and that calls for plants and machinery, which means capital investment. If they grow cotton in commercial quantities, that means gins and crushing mills, spinning and weaving plants, and a textile industry. These things require capital investment.

But the basic thing is to enable the people on the land to produce more, so they will have more products to sell and therefore more money to spend for the things they need and want. As their income rises, they create a profitable market for industries that require capital investment. In fact, I believe that if we help create this increased production and these profitable markets, you can't keep investors from coming in.

Generally speaking, to try to persuade investors to put their capital into ventures in these countries before a good market exists is to put the cart before the horse. Although the underdeveloped countries are predominantly agricultural, farming is practiced at a primitive level. I believe as a general rule we can say that agricultural development is a prerequisite of industrial development. Increased agricultural production provides both the raw materials for the small industries that are the next natural step in economic development, and the income that enables the people to buy the products of those industries.

Frankly, I think the best thing that point 4 can do to encourage capital investment in the underdeveloped countries as a whole is to work first with the people where they are, on the land, to enable them to create new wealth and new income that will make the investment of capital profitable.

As a general proposition, this is a long-range program, and I honestly can't promise that this process will open up opportunities for new markets and new industries overnight. But I do think it is the only sound way to proceed, so that the result in the long run will be satisfactory both to the people of the underdeveloped countries and to us.

Going at it this way doesn't cost very much. The millions of farmers and peasants in these countries don't need large quantities of expensive machinery like tractors and combines. Most of them farm plots so small that mechanized farming wouldn't be profitable. They need simple, inexpensive improvements—a little better seed, a little better plow, a long-handled instead of a short-handled hoe, a scythe instead of a sickle, a simple threshing machine instead of oxen treading out the grain, a way to preserve food from one harvest season to the next. Most of these things they can do themselves, with their own resources, if they are shown how.

In fact, as I have indicated, most of the capital that should go into building up these countries should come from within a large part of the natural resources and the labor be local, and there are limits to the foreign debt which underdeveloped countries can support. As the income of the people increases, the increased savings can be channeled into savings banks and insurance companies and used for economic development projects. One of the most constructive forms of technical assistance we can give is the advice and counsel of experienced technicians in the fields of administration, management, financing and small industries. We are already providing such assistance in some cases. For example, we are carrying out projects in Paraguay, Costa Rica, Saudi Arabia, and Pakistan in revision of the tax system, tariff structure, customs collection and the improvement of central banks. I expect we will need to expand our operations of this kind as the demand increases.

The fact is, the more the economies of the other countries grow, the more they find they can do for themselves, the greater the opportunities for private investment are likely to be. In the development of its 8-year program in the Colombo plan, the Indian Government estimated that domestic savings and investment would increase from 2½ to 4½ to 5 percent of a rising national income. The people become accustomed to thinking in business and financial terms that are familiar to us, and they become less suspicious of Americans with money to invest for a fair return.

There are already some specific instances where American capital can be invested to mutual advantage, and we are constantly on the lookout for them. On a selective basis, we intend to acquaint American interests with promising opportunities for investment and to help countries that need and want capital for specific developments to get in touch with potential investors.

Of course, there are other cases where outside public capital is needed for projects unsuitable for private investment. We work closely with the International Bank for Reconstruction and Development and with the Export-Import Bank on projects where technical cooperation and investment are dependent upon each other. These two institutions made loans of \$768 million in 1960 to underdeveloped countries. They provided financing for basic utilities—hydroelectric power, transportation, harbor development, irrigation projects, sewage systems and the like—which supplement and encourage, rather than compete with private capital. The Congress is being asked to increase the lending authority of the Export-Import Bank by \$1,000,000,000, and I support this proposal as a sound measure for assisting in the economic development of friendly countries.

I firmly believe that as the point 4 program progresses, we will learn much more about the possibilities of capital investment in the underdeveloped countries, and how it can be increased to their advantage and ours. I believe that we will find that constructive, imaginative thinking can provide solutions to many problems where the financing of economic development projects is involved.

Above all, I believe that a practical, down-to-earth program of technical cooperation which encourages, and is combined with sound capital investment can do much to increase productivity and improve living conditions in the underdeveloped countries without placing a heavy burden on the Public Treasury of the United States.

THE NEED FOR NEW INTERNATIONAL INSTITUTIONS

Mr. Javits asked me to give facts and figures leading to any support or lack of it for Mr. Nelson Rockefeller's recommendation for an international economic development agency of the World Bank. This brings up the question of grants for financing economic development, which I have not previously discussed, since one of the two new international agencies proposed by Mr. Rockefeller and his advisory board is the International Development Authority, a proposed grant institution.

I do not feel that it would be feasible at this time to establish an international development agency for the purpose of distributing grants. No organization can be truly international in character unless a sufficient number of countries are able to make effective and significant contributions to it. At the present time, it would be unrealistic to assume that such contributions, amounting to \$300 million according to the Rockefeller report, would be forthcoming from other members of the United Nations. I would hope that such grant aid as is made available by the Congress can be effectively utilized without creating new agencies and without establishing grant aid as a normal feature of international cooperation.

As to the desirability and feasibility of establishing an International Finance Corporation in connection with the International Bank, whose functions would include providing to private enterprise equity capital and loans to them without government guarantees, there appears to be some merit to such a proposal. However, it is not clear that a new agency as a subsidiary to the bank is required to perform this job, since the bank for example, could in most cases effect the same result by providing loan capital to national development banks or a group of local banks as it has done in Turkey, Ethiopia, and Mexico. However, the proposal certainly deserves study. I understand that the Economic and Social Council of the UN is being requested to initiate such a study.

DEPARTMENT OF STATE,
TECHNICAL COOPERATION ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, August 7, 1951.

Hon. JAMES P. RICHARDS,
*Chairman, Committee on Foreign Affairs,
House of Representatives.*

MY DEAR MR. RICHARDS: During the hearings before the Committee on Foreign Affairs on Monday, July 30, 1951, a request was made by the Honorable James G. Fulton for a suggestion concerning the possible use of Chinese students in the point 4 program.

I am pleased to furnish the attached statement on this subject for inclusion in the record.

Sincerely yours,

HENRY G. BENNETT,
Administrator.

STATEMENT ON THE POSSIBLE USE OF CHINESE STUDENTS IN THE TECHNICAL
COOPERATION PROGRAM

I am informed that during fiscal year 1951, 2,800 grants were awarded to Chinese students and scholars in this country. While many of the graduates have gone back to Communist China (about 100 out of 1,000 graduates last year), most of the rest have found jobs here. The technically trained students, engineers and the like, who might be most useful in point 4 are the ones who have found it easiest to get regular jobs. Those who have studied in such fields as the law and the humanities have found it less easy to get work.

Most of these students have come to the United States either on their own responsibility or under the auspices of the Nationalist Government. They are not stranded here as a result of a United States Government program. Our responsibility for these students is perhaps limited more to general humanitarian considerations than to what might be termed an organizational responsibility.

In considering the possibility of using Chinese abroad as the representatives of the United States certain serious difficulties have become apparent. It is

in the countries of southeast Asia that they would be most useful, but it is in some of these very countries that the feeling against the Chinese is most acute, because of the extent to which the Chinese have infiltrated into their economic and political life. An additional deterrent is the fact that the families of these students are still in China, and through them it is possible that great pressures can be exercised. Very careful consideration should be given to the advisability of putting these students in positions of responsibility under the United States Government in overseas positions where such pressures could be applied.

My conclusion, therefore, is that we must be sympathetic but cautious in the use of Chinese students under the point 4 program. The solution to this problem might best be approached through other Government agencies.

STATEMENT BY HON. GEORGE C. McCHIE

THE INDEPENDENT COUNTRIES OF NORTHERN AFRICA

We are convinced that the modest aid programs proposed for the independent African countries of Libya, Liberia, and Ethiopia are fully justified. Each in its own way is an important unit in the Mutual Security Program.

The investment of private funds from the United States has made Liberia an important source of rubber. Export-Import Bank loans have enabled Liberia to export high-grade iron ore to the United States, the first shipment of which arrived in Baltimore on June 22. The Export-Import Bank loans are assisting in the development of Liberia's palm kernels and cocoa crops. The port of Monrovia, developed with United States assistance, makes these materials readily available for ocean transport.

The geographical location of Liberia fully justifies its continued development as a source of raw materials. Much remains to be done, however, before Liberia realizes its potential; the proposed aid program, emphasizing food production and public health, will enable Liberia to make best use of other resources, including its line of credit from the Export-Import Bank.

In Libya a people, previously under colonial status, are establishing a nation. The development of Libya as a stable state is important to the United States, who strongly supported the UN resolution providing for Libya's independence on or before January 1, 1952. Libya is of course contiguous with other near-eastern territories which have been discussed earlier in this presentation. Its coast line and its airfields are of great strategic importance to us. Its people require the assistance of the Mutual Security Program in order to build up their economy, which is largely agricultural and pastoral.

Ethiopia and Eritrea lie adjacent to the Red Sea, strategically located on the transport life line to the east and on the perimeter of the Near East. Ethiopia has been traditionally friendly to us and Ethiopian troops have recently arrived in Korea to participate in the UN military operation there. In view of the progressive attitude of the Government and its promising natural resources, Ethiopia again is a case where we can expect early returns from a modest program of assistance which will supplement aid which Ethiopia is now receiving through the International Bank.

The total aid proposed for these three African countries amounts to \$4 million. Dr. Bennett will deal with these programs more specifically.

STATEMENT OF AMBASSADOR HENRY F. GRADY ON AID TO IRAN

Iran lies in the long space between the two areas—Europe and the Far East—where American interest has been centered since the war. I think it warrants more attention than we as a Nation have been giving it.

Iran is a country about the size of our Southwest, and, like it, rather sparsely settled by around 15 million people. Most of these people are farmers living in poverty and illiteracy in the few parts of the country where there is now sufficient water for agriculture. The only industry of any size is oil which is located along the Persian Gulf.

The country has great potential wealth. Its oil reserves are tremendous; there are good indications of other minerals; and the land will blossom like our Southwest if the use of farm machinery, irrigation, and modern techniques can be developed. And the Iranian, though now untrained and unskilled, is a hard and intelligent worker.

Unfortunately the economic, social, and political structures of the country are so undeveloped that its wealth and manpower yield only a small return. One survey showed that the average per capita income of the rural population—including what the peasant grows for himself—is only the equivalent of about \$50 a year. The relationship of peasants to landlords is reminiscent of feudalism. While the forms of democracy are observed, only a small fraction of the people have yet been brought into participation in it. These blunt facts I mention not in a spirit of criticism, but to show how much needs to be done.

Iran with its oil, warm-water ports, and position as a buffer area offers a glittering target to the Russians. And to make it easier for the Soviets Iran possesses social unrest—and a 1,500-mile border with Russia.

Russia's pressure on its little neighbor has two prongs—fear and promise. As to the first, the Russians need do nothing. The fear that the Russians will sweep down on them grows naturally out of the historical attitude of Russia toward Iran, and, more recently, out of Russia's actions in Eastern Europe, in the Far East, and in Iran itself in 1945. This fear is deep and almost silent.

As to the second prong—promise—the Soviets are quite active. Through propaganda from across the border and through the Communist-inspired Tudeh Party within the country, there is a constant campaign along the familiar lines: "You are being exploited by the Anglo-American imperialists and by the corrupt landlords. Communism would end your poverty and oppression, and give you equality and a decent living."

What has been the American answer to this pressure? Frankly a small one. We delivered surplus arms under a \$25 million loan in 1948 and 1949, we began free deliveries of arms under MDAP in 1950. The initial amounts under MDAP have been modest in comparison with allotments to European countries, but have been as large as our American military advisers thought the Iranian Army and Air Force could usefully absorb. Under guidance of these American advisers the armed forces have shown considerable improvement in the last several years, and have attained greater skill in the handling of modern equipment. The armed forces are now capable of using increased amounts of military equipment.

The Iranians have no intention of building up an Iranian Army which can unassisted repel a full-scale invasion. The primary purpose of the Iranian Army is to safeguard this little country against the type of satellite attack used in Greece and Korea, and to guard against internal disorder fomented by foreign enemies. It is hoped that in time to come this army will be a strong partner in the world-wide defense of the free world.

On the economic side our material assistance to the country has consisted only of a small point 4 program. This is a village program designed to improve education, agriculture, health, and sanitation in the rural areas where 80 percent of the people live. The work is done through demonstration villages with American and Iranian technicians in agriculture, irrigation, rural education, public health, and sanitation showing farmers how to improve their production and standard of living.

We Americans who live in Iran—and I am speaking not just of Government officials but of businessmen, missionaries, journalists, doctors, and soldiers—all agree that education in the practical things of life, such as the village program gives, must come before democracy can take deep root in the country. The Iranians themselves, whether they be our friends or critics, educated city people or illiterate villagers, are enthusiastic about the program.

The third part of our American approach is the information program of USIE. Since this essential program is being presented to you at another time I will not go into it here.

So much for our efforts up to now. And now for a few comments.

There is a unanimous feeling among Iranians that our military aid should be accompanied by economic aid, and if forced to choose between the two, most Iranians would take the economic aid. Their reasoning is that an army is of very limited value if its country is weakened by poverty, illiteracy, and lack of strong social and political structures. I think we Americans agree with this principle. We have given it public recognition by assisting in the rebuilding of the European economy through ECA before embarking on a military program under MDAP. However, due to accidents of timing our military aid in Iran has preceded our economic aid, thus subjecting us to some well-deserved criticism. In our point 4 program we have begun to correct this, and the proposal now before you—balanced between economic and military—will carry us forward along the lines thought best by both Iranians and Americans.

In former consideration of economic aid for Iran the objection has sometimes arisen that the aid might be misused. I would like to meet this objection head-on. The Iranian government, it is true, is less able to administer an aid program than the governments of Western Europe. But this is not the point. We are granting aid where the need is greatest and not just where it will be administered the best. In fact, the same conditions which create the need for aid may also create a propensity for less efficient administration of the aid. If we hang back because the government is not all that we desire, we get nowhere. And furthermore, I am confident that we can help Iran to administer any economic aid so that it will be well spent.

In describing what our program has been I have in effect described what we plan our program to be in the future. The funds which we are requesting now will be used to carry on our past program with one modification. On the military side to attain the objectives stated we will use the money in roughly equal parts for new equipment, spare parts, and ammunition. On the economic side the technical-assistance program will be greatly expanded so that we will be reaching a sizable segment of the country rather than trying to do the job through a few demonstration centers. The new element in the program is that some funds will be used for capital improvements—wells, agricultural machinery, sawmills, and similar projects. This part of the program is really an extension of the technical aid, since the capital expenditures will be in close connection with our village instruction.

In addition to telling the Iranian farmer that a well or a steel plow is a good thing, we will make available through his Government a few wells and plows so that the demonstration will be practical as well as theoretical. Our capital-improvement program will be modest and, while it will produce some direct benefits in increased production, its primary purpose will be to teach, to show what can be done and to lead the way.

Iran is in a period of reawakening and nationalism. She is trying to catch up with the Western World in dozens of fields, and in this she needs help. Furthermore—and this is important—she needs some concrete demonstration of American interest in her welfare at this critical moment. She does not want a heavy hand of direction from any outside power, but she will welcome technical assistance, educational help, and engineering advice given in good spirit. In the last century the United States has gained a reputation in Iran for good intentions and impartiality. We have an opportunity to continue this reputation and to assist Iran to develop into a healthy partner in the free world.

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